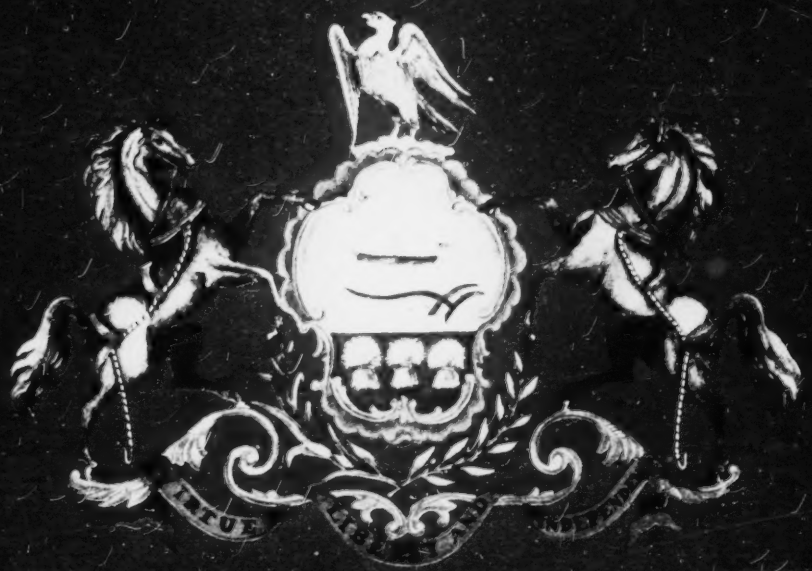
Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 1990



Commonwealth of Pennsylvania

Robert P. Casey
Governor

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The Pennsylvania coat of arms consists of a shield, bordered in the gold of faith and constancy, supported by speed and strength personified by two rampant steeds of sable color further denoting prudence and fidelity, and crowned with an eagle — symbolizing sovereignity; underneath, the cornstalk of plenty and the olive branch of peace are bound together in love and comity. Upon the shield, a ship of black and white — wisdom and anticipation — sails upon a changeless sea of blue, teeming with justice and loyalty; a ruddy plough stands for generosity and devotion upon an eternal golden base of honor and integrity; while the three sheaves of wheat, in gold of constancy and abundance, never desert their emerald environment of gentleness and courtesy; — the whole completed by a scroll bearing the motto of the Commonwealth; — Virtue, Liberty and Independence.

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 1990

Commonwealth of Pennsylvania
Robert P. Casey, Governor

Prepared By: Office of the Budget
Michael H. Hershock, Secretary
Comptroller Operations
Harvey C. Eckert, Deputy Secretary

Commonwealth of Pennsylvania
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 1990

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COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

December 14, 1990

MICHAEL H. HERSHOCK
SECRETARY
OFFICE OF THE BUDGET

To the Governor, the Honorable Members of the General Assembly and the Citizens of the Commonwealth of Pennsylvania:

This Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Pennsylvania represents this Administration's continued commitment to sound fiscal management and to responsible financial reporting based on nationally recognized standards. This CAFR, which includes the Commonwealth's independently audited general purpose financial statements as of and for the fiscal year ended June 30, 1990, will provide you and the financial community with all the information required to fully assess the Commonwealth's financial position, results of operations, and the management of its financial resources.

During the fiscal year ended June 30, 1990, we built on the momentum established in previous years while making a major strategic investment for the future: an investment in our business environment and our natural environment; an investment in basic and higher education; an investment in job training; and an investment in the human potential of the citizens of the Commonwealth. Our goal was to provide quality services without increasing taxes.

Tax revenues of the General Fund, on the budgetary basis, for the fiscal year ended June 30, 1990 were $274.7 million, or 2.6 percent, higher than the prior fiscal year collections of $10,773 million, but were $232.2 million, or 2.1 percent below the budgeted revenue estimate of $11,280 million. Slow economic growth caused lower retail sales, lower employment and lower profits than were anticipated in the development of the General Fund revenue estimate. Based on generally accepted accounting principles, tax revenues increased $285 million over the $10,722 million reported last fiscal year. Personal income taxes increased 4.9 percent and sales and use taxes increased 3.9 percent, while corporation taxes decreased 2.0 percent. These taxes, in conjunction with other consumption taxes, produced an overall 2.7 percent increase in tax revenues in the General Fund for the fiscal year ended June 30, 1990.

Non-tax General Fund revenues for the 1989-90 fiscal year were augmented by appropriated transfers of $85 million of excess reserves from the State Workmen's Insurance Fund and a $41 million transfer of state liquor store profits from the State Stores Fund. Also, cash reserves from the Commonwealth employe workmen's compensation program, representing reserves for future claim payments, in the amount of $76.1 million, were eliminated in the General Fund as a result of the decision to convert to a current funding payment method.

The Commonwealth continued to expand the State Correctional Institution (SCI) system by committing $12 million for the conversion of Farview State Hospital to a State prison. By the end of the fiscal year, 359 of the planned 1,000 cells were available for occupancy. We also opened 480 additional cells at SCI Pittsburgh, expanded SCI Graterford by 172 cells and began construction of a 120 cell maximum security modular unit at SCI Camp Hill.

Our long-term commitment to the economic future of the Commonwealth was accelerated by initiating a new $10 million Industrial Communities Program to restore blighted industrial sites to productive use, by an accelerated $12 million Ports Improvement Program and by transferring $34.6 million from the General Fund to the Pennsylvania Economic Revitalization Fund (PERF).

Within PERF-funded programs, we provided $17 million for the Business Infrastructure Development Program which makes grants and loans to local sponsors for specific infrastructure improvements that complement private industrial development. We also continued an important effort initiated in prior years by providing $5 million for the Industrial Resource Centers Program, which recruits and creates research facilities both for direct jobs and for direct investment by private companies who will benefit from association with such a facility.

We also appropriated $10 million from the Sunny Day Fund to help private industries expand and attract new businesses to Pennsylvania. We appropriated $37 million from the General Fund for the Housing and Redevelopment Program which provides grants to improve blighted neighborhoods through redevelopment and to improve low and moderate-income housing through rehabilitation. We continued a major change initiated in the 1987-88 fiscal year in the way state government assists the job creation process by establishing partnerships among businesses, working men and women, government officials, and educators to help create more jobs.

Education continues to be the cornerstone of Pennsylvania's future. We have continued our commitment to the future by providing total funding of $2.7 billion to our public schools through the Equalized Subsidy for Basic Education. The total funding for basic education was $4.1 billion, including funding for special education, pupil transportation, teacher retirement and social security, and special programs to address the needs of economically and educationally at-risk students. In addition, we provided over $1.3 billion for higher educational institutions and students.

During the 1989-90 fiscal year, several major pieces of legislation were enacted to create and expand several programs:

— Act 24 of 1989 created the Catastrophic Loss Benefits Continuation Fund and provided a surcharge on traffic violations to fund the continuation of payments to persons injured while the original Catastrophic Loss Trust Fund (CAT) was operational. After the original CAT Fund was eliminated in late 1988, the related surcharge on auto registrations, which funded the original CAT Fund, was stopped. In order to continue to pay claims to persons who were injured during the period when the CAT Fund was operational, the Continuation Fund was enacted.

— Act 89 of 1989 authorized the expenditure of $39.6 million for the construction of modular housing units at State prisons, renovation of the cells destroyed in the disturbances at SCI Camp Hill, and construction of additional cells throughout the SCI system.

— Act 6 of 1990 provided auto insurance reform for the Commonwealth. By providing options on tort coverage and other changes, the Commonwealth was able to mandate reductions in insurance premiums to consumers. In addition to giving citizens of the Commonwealth a choice of coverage and rate reductions on their automobile insurance policies, the Act requires proof of insurance to operate, register, and inspect a vehicle.

— Act 14 of 1990 continued the Commonwealth's emphasis on environmental issues by enacting the nation's first "backhauling" legislation. This Commonwealth law prohibits the commercial hauling of food products in one direction and garbage and trash on the return trip. Other states and the Federal Government are looking closely at Pennsylvania's law as they develop their own proposals to address backhauling.

— Act 42 of 1990 created a standardized Commercial Drivers Licensing Program in the Commonwealth. During the 1989-90 fiscal year, $2.4 million was expended to meet the April 1992 federally mandated deadline for having all commercial drivers retested using a more stringent written test as well as a driving skill test for certain drivers. We expect that these measures will reduce the number of truck related fatalities and injuries.

We made significant investments in programs to support the economically needy through general assistance, aid to families with dependent children, and medical assistance. Total expenditures for these programs by the Commonwealth and the Federal Government amounted to $3.7 billion in the 1989-90 fiscal year. Approximately 50 percent of the total costs for assistance to the economically needy is supported by the General Fund. The balance is provided by the State Lottery Fund, by reimbursements from the Federal Government, and through various program collection activities conducted by the Commonwealth. We focused attention on maintaining the financial integrity of the State Lottery Fund by continuing a yearly transfer of selected program costs back to the General Fund. We are continuing to develop a new reimbursement methodology for long-term care facilities providing nursing home care for medical assistance recipients.

Overall, the financial position presented in these General Purpose Financial Statements demonstrates our continued commitment to the fiscal integrity of the Commonwealth. It is our goal to maintain a strong emphasis on economic development, education and productive growth in the Pennsylvania economy.

Sincerely,

Michael H. Hershock

Michael H. Hershock
Secretary
Office of the Budget

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

December 14, 1990

HARVEY C. ECKERT
DEPUTY SECRETARY FOR COMPTROLLER OPERATIONS
OFFICE OF THE BUDGET

Dear Secretary Hershock:

It is my privilege to present this Comprehensive Annual Financial Report (CAFR) on the operations of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1990. This report, which includes the General Purpose Financial Statements (GPFS), was prepared by the Office of the Budget, Comptroller Operations, pursuant to the power vested in the Governor under Section 701 of the Administrative Code and delegated to the Secretary of the Budget by Executive Order No. 1984-3, October 11, 1984.

The financial statements contained in this CAFR were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed in pronouncements by the Governmental Accounting Standards Board (GASB). They were jointly audited by the elected Auditor General of the Commonwealth of Pennsylvania and KPMG Peat Marwick, a nationally recognized public accounting firm. Their Independent Auditors' Report, expressing an unqualified opinion on the GPFS, is included in this financial report.

I believe the financial statements are fairly stated in all material respects; that they are presented in a manner designed to fairly set forth the Commonwealth's financial position, results of operations, and changes in the fund balances as measured by the financial activity of its various fund types; and that all disclosures necessary to enable the Governor, the Members of the General Assembly, the public, and the financial community to gain a full understanding of the Commonwealth's operations and financial affairs have been included. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the Commonwealth of Pennsylvania, Office of the Budget.

In addition to the GPFS, which provide an overview of the Commonwealth's financial position and operating results by fund type, this CAFR includes: combining financial statements presenting information by fund; supporting schedules; certain narrative information describing individual funds; and statistical tables presenting financial, economic, social and demographic data about the Commonwealth. The CAFR was prepared in accordance with standards established by the Government Finance Officers Association of the United States and Canada (GFOA) and will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement for Excellence in Financial Reporting.

THE FINANCIAL REPORTING ENTITY

The GPFS of the Commonwealth, in conformance with GASB Codification Section (Cod.Sec.) 2100 includes all funds, account groups, agencies, boards and commissions, and governmental public service corporations over which the Commonwealth's executive and legislative branches exercise oversight responsibility. Criteria used to determine oversight responsibility include budget adoption and approval, taxing authority, funding of outstanding debt, authority to appoint an organization's governing body, constitutional officers' ability to significantly influence operations, accountability for fiscal operations and scope of public service. Inclusion of an organization in the Commonwealth GPFS in no way alters the defined prerogatives of the organization's management, its statutory authority, or its legal characteristics.

Based on Cod.Sec. 2100, the following Commonwealth public service organizations meet the oversight criteria and are included in the accompanying financial statements.

Pennsylvania Higher Educational Facilities Authority (PHEFA): The PHEFA was created for the purpose of financing, constructing, improving and maintaining any educational facility, and assisting colleges in financing, on a short-term basis, their working capital requirements. PHEFA revenue bonds are financed through lease rental payments. Some of the lessees, although private institutions, are recipients of Commonwealth grants and subsidies.

Pennsylvania Higher Education Assistance Agency (PHEAA): The PHEAA was created to improve the higher educational opportunities of persons who are residents of the Commonwealth and attending institutions of higher education by enabling the agency, lenders and post-secondary institutions to make loans and grants to students for educational purposes. Debt service on bonds issued by the PHEAA is met from loan repayments and interest and other revenues of the agency.

Pennsylvania Housing Finance Agency (PHFA): The PHFA was created to make loans secured by real property or leasehold, including mortgages, to finance projects designed and planned to be available for low and moderate income persons and families. Bonds issued by the PHFA are partially secured by a capital reserve fund required to be maintained at an amount equal to the maximum annual debt service on its outstanding bonds in any succeeding calendar year. Statute provides that if there is a deficiency in the capital reserve fund or if funds are necessary to avoid default on interest, principal or sinking fund payments on PHFA notes or bonds, an amount sufficient to make up such deficiency shall be placed in the budget of the Commonwealth for the succeeding fiscal year.

Pennsylvania Industrial Development Authority (PIDA): The PIDA was created for the purpose of making secured loans to industrial development agencies for payment of a part of the cost of industrial development projects in critical economic areas. Principal and interest payments to PIDA and other revenues are used to pay debt service on revenue bonds issued by the PIDA and to make additional loans.

Pennsylvania Turnpike Commission (PTC): The PTC was created for the purpose of constructing, maintaining and operating a turnpike system together with connecting roads, tunnels and bridges. Debt service on turnpike revenue bonds is payable from revenues, primarily tolls and rentals from leases and concessions, of the turnpike system.

State Employes' Retirement System (SERS), Public School Employes' Retirement System (PSERS): The SERS and PSERS were established as independent administrative boards of the Commonwealth. Each system is directed by a governing board which exercises control and management of the systems, including the investment of assets. The retirement plans of the SERS and the PSERS are contributory defined benefit plans covering all state employes, employes of certain state-related organizations, and all public school employes. Proposed changes in benefit and contribution provisions require legislative action and must be supported by an actuarially computed estimate of the cost of such changes.

State Highway and Bridge Authority (SHBA): The SHBA was created to construct, reconstruct, improve and maintain highway and bridge projects and roadside rests. All rental charges of SHBA are transferred from the Motor License Fund, a Special Revenue Fund, and are used to meet debt service requirements. No SHBA debt obligations have been issued since 1968.

State Public School Building Authority (SPSBA): The SPSBA was created for the purpose of constructing, furnishing and equipping, and maintaining public school buildings, as part of the public school system of the Commonwealth. Debt service on revenue bonds issued by the SPSBA is met from lease rental payments made by the local school districts, all of which receive substantial financial aid from the Commonwealth.

State System of Higher Education (SSHE): In accordance with Cod.Sec. 2100, Commonwealth-owned universities are reported in a "discrete presentation" under a separate fund category in the Commonwealth's GPFS. The SSHE, composed of fourteen universities, was created by Act No. 188 of 1982 to function independently of the Department of Education for the purpose of providing instruction for undergraduate and graduate students. The corporate powers of the SSHE are exercised by a Board of Governors through the SSHE Chancellor.

Commonwealth-related universities named below are not included in the GPFS as the degree of oversight responsibility exercised by the Commonwealth is so insignificant that it has not been deemed appropriate to reflect them in the reporting entity.

Pennsylvania State University
Temple University
University of Pittsburgh
Lincoln University

It has been determined that the following organization is not a part of the Commonwealth reporting entity after applying criteria of Cod.Sec. 2100 and is excluded from the GPFS because the Commonwealth does not control its assets, operations or management.

Pennsylvania Municipal Retirement System (PMRS): The PMRS was established as an independent board of the Commonwealth for the purpose of administering a retirement plan for officers, employes, firemen and policemen of the Commonwealth's political subdivisions and municipal authorities, and of institutions supported and maintained by the political subdivisions and municipal government associations. Control and management of the PMRS, including investment of assets, is exercised by a governing board.

BUDGETARY CONTROLS AND ACCOUNTING SYSTEMS

The annual budget of the Commonwealth is comprised of separate appropriations to individual agencies for their specific programs, purposes, special outlays and/or operating expenditures. Budgetary control is exercised at the agency level by appropriation and by allocations to major categories of expenditure within each appropriation. Major expenditure categories include personnel services, operational expenses, fixed assets, subsidies and grants, debt service and fixed charges. An encumbrance system is used to effect budgetary control at the appropriation and allocation levels.

Encumbrances represent the estimated amount of expenditures that are expected to be incurred when purchase orders issued are filled and contracts and other commitments entered into are performed. They serve to reserve that part of an appropriation until the actual liabilities are incurred and to ensure that funds committed (encumbered) and expended do not exceed the total amounts appropriated and/or allocated. Section 621 of the Administrative Code provides that unencumbered appropriated funds shall automatically lapse at fiscal year end and become available for appropriation in the new fiscal year. Encumbered appropriations are carried forward into the new fiscal year. They are reported in the Commonwealth's governmental funds as reservations of fund balance as distinguished from unreserved fund balance. Funds reserved for appropriations carried forward may be expended until October 31 of the new fiscal year at which time any remaining balances must be lapsed, except amounts for encumbered items being litigated or arbitrated or otherwise extended for some other reason with approval of the Secretary of the Budget. In no event, however, can an encumbrance carried forward from one fiscal year be extended beyond the end of the next fiscal year except for a litigated item.

Accounting records of most departments under the Governor's jurisdiction are maintained on a centralized accounting system. The operations of this system are directed and supervised by the Office of the Budget, Comptroller Operations. Separate accounting systems are maintained by the Department of Transportation for the Motor License Fund; the Liquor Control Board for the State Stores Fund; and the Department of Labor and Industry, Office of Employment Security, for the payment of unemployment compensation benefits. The Treasury Department, the Department of the Auditor General, and the Legislature and Judiciary, likewise, operate separate accounting systems.

The accounts of the Commonwealth's governmental fund types are maintained on a budgetary basis by fund, agency and appropriation. Revenues are recorded at the time cash is received.

Expenditures are recorded at the time payment requisitions and invoices are submitted to the Treasury Department for payment. At the fiscal year end, both revenues and expenditures are adjusted to reflect appropriate accruals for financial reporting in conformity with GAAP.

Within the accounting systems, internal controls effectively provide reasonable assurance that financial transactions are executed in accordance with prior authorizations, that assets are protected from unauthorized use or disposition, and that the financial records are reliable for the purposes of preparing financial statements and maintaining accountability. All department records are reconciled monthly with the Treasury Department's records of cash disbursements and the Department of Revenue's records of cash receipts.

THE GENERAL PURPOSE FINANCIAL STATEMENTS (GPFS)

Although the Commonwealth plans and manages its financial affairs on a budgetary basis, it also prepares GPFS in conformity with GAAP applicable to governments. These financial statements differ from those prepared on a budgetary basis in that generic funds are combined by fund types and the financial information is presented on the basis of accounting principles applicable to each fund type. Accordingly, governmental, expendable trust, and agency funds are reported on the modified accrual basis of accounting; proprietary and pension trust funds are reported on the accrual basis of accounting. The College and University Funds are reported on the accrual basis of accounting in accordance with the National Association of College and University Business Officers' *College and University Business Administration* and the American Institute of Certified Public Accountants' *Audits of Colleges and Universities* for institutions of higher education.

In measuring financial position and operating results on the modified accrual basis of accounting, as compared to the budgetary basis, revenues are generally recognized when they become measurable and available to finance current obligations, as opposed to when cash is received. Expenditures are generally reported when goods and services are received and a liability incurred, rather than when cash is disbursed. Due to these differences, the Commonwealth's GPFS as of a fiscal year end include amounts which actually will not be received or disbursed until a future date. Such amounts are necessarily based on management's best assessment and evaluation of available financial data at the time the financial statements are prepared. They include revenues due the Commonwealth, net of credits and refunds, and accounts payable and accrued expenditures for which a liability has been incurred as of the fiscal year end.

ECONOMIC CONDITION AND OUTLOOK

Considerable change has occurred in the economic outlook for the 1990-91 fiscal year since July, 1990 when Pennsylvania adopted the fiscal year budget. In June, 1990 the economic experts gave a 15 percent probability of a near-term recession, believing that the conditions usually precedent to recessions were not present in the economy. However, the most recent forecast includes the projection of a brief, shallow recession. Uncertainties, in part related to conditions in the Mid-East, raise the probability of the recession being deeper and longer than anticipated. It appears from the revenue trends and recent United States (U.S.) and Pennsylvania economic data that economic growth is below earlier projections and a period of, at best, very weak economic growth lies immediately ahead. The most recent data on the economy depict an economy that suffers from continued higher inflation, a deep drop in consumer confidence, declining employment and rising unemployment rates and a tighter fiscal policy constrained by already steep federal budget deficits.

The current forecast for a mild recession to occur during the fourth quarter of 1990 and the first quarter of 1991 also projects a slow and prolonged recovery period. Economic growth, as expressed in terms of real gross national product, is expected to remain at or below 3 percent for the economy through the 1991-92 fiscal year which will mean a national unemployment rate of almost 7 percent during the period, a mild retrenchment in the rate of inflation, and persistently high interest rates.

The slower than anticipated rate of economic growth in the U.S. and Pennsylvania economy has been evident in the trend of tax revenue collections for the 1990-91 fiscal year. Through the end of November, 1990 tax revenues collected in the General Fund were $71.2 million below the official budgetary revenue estimate. A substantial portion of the tax shortfall is from the sales and use tax which is $66.1 million or 3.5 percent below the estimate.

THE GENERAL FUND

The General Fund, the Commonwealth's largest fund, is the focal point in any determination of Pennsylvania's financial position. It accounts for all revenues and receipts which are not required by law to be accounted for or deposited elsewhere and for the major portion of Commonwealth expenditures. Tax receipts, principally personal and corporate income and sales and use taxes, constitute more than 71 percent of the General Fund's revenues. Major fund expenditures are for general government, protection of persons and property, public health and welfare, public education, economic development and debt service on all obligations except those incurred for highway or other special revenue fund purposes. A comparison of how the Commonwealth has operated within its adopted General Fund budget, as amended, is presented in the "Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances — Budget and Actual (Budgetary Basis)," included in the GPFS.

Budgetary Basis: During the last seven fiscal years, the Commonwealth reported General Fund surplus unreserved/undesignated fund balances on the budgetary basis of accounting. A deficit was last reported at the end of the 1982-83 fiscal year. The surplus amounts were the result of controlled expenditure growth, improved productivity and economic growth that has produced revenue surpluses despite general tax rate reductions in previous fiscal years.

At June 30, 1990 the General Fund's unreserved/undesignated fund balance (budgetary basis) amounted to $136.2 million. This compares to a budgetary fund balance of $385.1 million at June 30, 1989. The change in budgetary basis fund balance for the fiscal year ended June 30, 1990 was the result of revenue collections totalling $15,537.5 million less appropriation authorizations totalling $15,898.4 million, plus appropriation lapses from prior years in the amount of $112.0 million. Included in the $15,898.4 million appropriation authorizations are $136.8 million supplemental appropriations authorized during the fiscal year.

The following table shows the General Fund's actual year end unreserved/undesignated fund balance and increases or decreases (expressed in millions) on a budgetary basis at the end of the five most recent fiscal years:

At June 30	Unreserved Undesignated Fund Balance	Increase (Decrease)
1986	$ 219.8	$ (90.7)
1987	347.8	128.0
1988	94.7	(253.1)
1989	385.1	290.4
1990	136.2	(248.9)

Modified Accrual Basis: At June 30, 1990 the Commonwealth's General Fund reported a fund balance deficit of $119.8 million, a decrease of $738.7 million from a $618.9 million fund balance at June 30, 1989. Total assets decreased by $413.1 million to $1,799.7 million. Liabilities increased by $325.6 million to $1,919.5 million. These changes and others (expressed in millions) are reflected in the General Fund summary comparative balance sheet that follows.

General Fund
Summary Comparative Balance Sheets (GAAP Basis)
(Expressed in Millions)

	June 30, 1990	June 30, 1989	Increase (Decrease)
Assets			
Cash and temporary investments	$ 553.2	$ 1,037.3	$ (484.1)
Receivables, net	617.9	557.9	60.0
Due from other funds/governments	622.4	617.4	5.0
Other assets	6.2	.2	6.0
Total Assets	$ 1,799.7	$ 2,212.8	$ (413.1)
Liabilities			
Accounts payable and other accrued liabilities	$ 1,332.5	$ 1,092.7	$ 239.8
Matured bonds and interest payable	. . . .	1.5	(1.5)
Due to other funds/governments	573.9	488.6	85.3
Deferred revenue	13.1	11.1	2.0
Total Liabilities	1,919.5	1,593.9	325.6
Fund Balance			
Reserved	173.4	163.3	10.1
Unreserved:			
Designated	. . . .	455.6	(455.6)
Undesignated (deficit)	(293.2)	. . . .	(293.2)
Total Fund Balance (deficit)	(119.8)	618.9	(738.7)
Total Liabilities and Fund Balance	$ 1,799.7	$ 2,212.8	$ (413.1)

GENERAL GOVERNMENTAL FUNCTIONS — MODIFIED ACCRUAL BASIS

The Commonwealth's governmental fund types include the General Fund, the Motor License Fund and other Special Revenue Funds, the Debt Service Funds and the Capital Projects Funds. These funds account for most general operating revenues and expenditures. Their combined fund balances at June 30, 1990 decreased by $887 million to $1,078 million from $1,965 million at the beginning of the fiscal year. Unreserved/undesignated fund balances at June 30, 1990 amount to a $206 million deficit as compared to a $374 million unreserved/undesignated fund balance surplus a year ago. Comparative summaries of general governmental revenues by source and expenditures by function (expressed in millions) follow.

General Governmental Revenues by Source. Revenues of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totalled $19,716 million. This represents a 2.4 percent increase over the previous fiscal year. Taxes constituted 61.1 percent of general governmental revenues; intergovernmental revenues, primarily Federal funds, constituted 22.1 percent.

	Fiscal Years Ended		
Revenue Source	June 30, 1990	June 30, 1989	Increase (Decrease)
Taxes	$ 12,052	$ 11,759	$ 293
Licenses and fees	661	629	32
Intergovernmental	4,358	4,249	109
Charges for goods and services	504	529	(25)
Investment income	222	226	(4)
Lottery receipts	1,530	1,575	(45)
Lease rental principal and interest	194	140	54
Other	195	141	54
Total Revenues	$ 19,716	$ 19,248	$ 468

Taxes increased by $293 million over the previous fiscal year due mainly to the modest expansion in the state and national economies. The following is a summary of tax revenue by type:

Taxes by Type	Fiscal Years Ended June 30, 1990	Fiscal Years Ended June 30, 1989	Increase (Decrease)
Sales and use	$ 4,230	$ 4,073	$ 157
Personal income	3,234	3,084	150
Corporation	2,524	2,546	(22)
Liquid Fuels	1,010	998	12
Other	1,054	1,058	(4)
Total Taxes	$ 12,052	$ 11,759	$ 293

General Governmental Expenditures by Function. Expenditures of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totalled $20,844 million, reflecting an increase of $1,395 million over the previous fiscal year. Of the total amount expended, public health and welfare accounted for 37.2 percent, public education for 26.9 percent and transportation for 11.5 percent.

Expenditure Function	Fiscal Years Ended June 30, 1990	Fiscal Years Ended June 30, 1989	Increase (Decrease)
General government	$ 1,921	$ 1,873	$ 48
Protection of persons and property	1,217	1,092	125
Public health and welfare	7,745	7,175	570
Public education	5,598	5,166	432
Conservation of natural resources	374	369	5
Economic development and assistance	364	350	14
Transportation	2,392	2,305	87
Capital outlay	169	230	(61)
Debt service:			
Principal retirement	608	440	168
Interest and fiscal charges	456	449	7
Total Expenditures	$ 20,844	$ 19,449	$ 1,395

Expenditures for public health and welfare increased by $570 million or 7.9 percent over the previous fiscal year. Increases in financial support to the economically needy, aid to families with dependent children, and medical assistance comprise the largest portion of the public health and welfare expenditure increase.

Expenditures for public education increased by $432 million or 8.4 percent over the previous fiscal year. Areas of increase include aid to local school districts for basic instruction, vocational instruction, debt service, pupil transportation, employe retirement including social security, and special education programs.

DEBT ADMINISTRATION

The Constitution of the Commonwealth of Pennsylvania permits the incurrence of debt, without approval of the electorate, for capital projects specifically authorized in a capital budget. Capital project debt outstanding cannot exceed one and three quarters (1.75) times the average of the annual tax revenues deposited in all funds during the previous five fiscal years. The certified constitutional debt limit at August 31, 1990 was $23.1 billion. Outstanding capital project debt at August 31, 1990 amounted to $3.9 billion.

In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate approved programs, such as economic revitalization, land and water development, and water facilities restoration; and for special purposes approved by the General Assembly, such as disaster relief.

The total general obligation bond indebtedness outstanding at June 30, 1990 was $4,633.5 million. Total debt service expenditures paid from General Fund and Motor License Fund appropriations during the fiscal year ended June 30, 1990 amounted to $706.8 million.

During the fiscal year ending June 30, 1991 the Office of the Budget projects general obligation bond issuances amounting to $521.5 million, an increase of $159.5 million as compared to actual bond issuances of $362.0 million during the fiscal year ended June 30, 1990. This forecast reflects the need to make investments in the Commonwealth's capital infrastructure, particularly prisons, interstate highway construction under the Federal Advance Construction Interstate Program, highway bridges, mass transportation and water supply systems. Debt principal retirements of $442.9 million are forecast during fiscal 1991. The table that follows shows total outstanding long-term indebtedness for general obligation bonds (expressed in millions) at the end of the seven most recent fiscal years.

At June 30	Outstanding Bond Indebtedness
1984	$4,484
1985	4,535
1986	4,529
1987	4,559
1988	4,699
1989	4,705
1990	4,634

In December 1985, June 1986, and April 1987, the Commonwealth issued general obligation refunding bonds totalling $224.1 million. The proceeds are being used to retire general obligation debt incurred in 1980, 1981, 1982 and 1984 at higher interest rates. This will result in estimated savings of $11.6 million over the life of the refunding bonds, or $9.1 million when discounted to present value. In November 1988, the Commonwealth issued $127.6 million in general obligation bonds to advance refund $146.2 million of outstanding General State Authority (GSA) bonds. After this refunding transaction, the GSA ceased to exist.

In addition to general obligation bonds, the Commonwealth issues tax anticipation notes to meet operating cash needs during certain months of the fiscal year. Tax anticipation notes may be issued only for the General Fund and the Motor License Fund. They may not exceed 20 percent of the funds' estimated revenues for the year, and must mature during the fiscal year in which they are issued. Cash shortages occur during the fiscal year because tax receipts, unlike cash disbursements, are concentrated in the fourth quarter of the fiscal year.

During the fiscal year ending June 30, 1991, total General Fund revenues and budgeted expenditures, including Federal funds, are expected to increase by 5.6 percent and 3.9 percent, respectively. As the result of tax changes and expenditure patterns that are likely to affect the cash receipts flow, the Commonwealth anticipates issuance of $1.4 billion in General Fund tax anticipation notes during the 1990-91 fiscal year. General Fund tax anticipation note or commercial paper issuances (expressed in millions) during the five most recent fiscal years are shown below. Motor License Fund tax anticipation notes were not issued for the periods shown and are not expected to be issued in the future.

Fiscal Year Issue Ended June 30	For the Account of the General Fund	Amount Issued as a Percent of General Fund Tax Revenues
1987	$ 490	5%
1988	700	7
1989	699	7
1990	955	8
1991 (Estimated)	1,400	12

CASH MANAGEMENT

The Treasury Department is required by the Commonwealth's Fiscal Code to deposit monies of the Commonwealth, excluding certain component units, in state depositories approved by the Board of Finance and Revenue. Monies deposited are not required to be segregated by fund.

In addition, the Treasury Department is empowered to invest monies of the Commonwealth that have accumulated beyond the ordinary needs of the various Commonwealth Funds. Temporary investments held by the Treasury Department by type, average maturity in days and percent at June 30, 1990 are depicted below.

Investment Type	Average Maturity (days)	Percent
Commercial Paper (Moody's Prime One Rating or Equivalent)	10	24.0
United States Treasury and Agency Obligations	217	50.0
Repurchase Agreements	2	20.0
Certificates of Deposit	18	2.0
Corporate Bonds and Notes	184	.1
Other	127	3.9
		100.0

Temporary investments held by the Treasury Department amounted to $3.7 billion as of June 30, 1990. Temporary investments were made by specific funds. Interest on investments made by the Treasury Department during the fiscal year amounted to $373.0 million at an average yield of 8.649 percent.

RISK MANAGEMENT

The Commonwealth maintains ongoing training and information programs to reduce risks associated with employe injury and negligence, contract compliance, tort liabilities and property losses. As more fully described at Note O to the financial statements, the Commonwealth became self-insured for employe disability and medical claims on July 1, 1983. The Commonwealth is also self-insured for tort liabilities, including automobile, employe and transportation-related claims. Financial resources are accumulated to establish reserves to fund self-insured claims. Third-party coverage is obtained for property losses in excess of $1 million per occurrence, to a limit of $100 million per occurrence. Coverage for property losses less than $1 million or more than $100 million is maintained through the Commonwealth's self-insurance program.

CAPITAL PROJECTS FUNDS

Proceeds of general obligation bonds are generally accounted for in the capital projects funds. Completed projects and construction in progress at the fiscal year end are accounted for as assets and are capitalized in the General Fixed Assets Account Group. Projects completed during the fiscal year totalled $54 million; construction in progress at June 30, 1990 amounted to $69 million. Authorized but unissued general obligation bonds at June 30, 1990 totalled $9,417 million.

ENTERPRISE, FIDUCIARY AND COLLEGE AND UNIVERSITY FUNDS

The Commonwealth's enterprise funds are used to account for revolving loan programs for economic development, higher education and housing assistance. Also included are a turnpike system and the Pennsylvania Infrastructure Investment Authority (PENNVEST) which loans funds to local governments for improving water and sewer systems. All enterprise funds reported retained earnings at June 30, 1990, except for the PENNVEST which reported a retained earnings deficit of $324 thousand. This deficit is more fully described in Note C to the financial statements. The overall increase in retained earnings for enterprise funds during the fiscal year amounted to $72 million, for total reported retained earnings of $1,775 million at June 30, 1990.

Fiduciary type funds, including expendable trust funds and pension trust funds, reported total fund balances of $27,840 million at June 30, 1990, compared to $24,290 million at June 30, 1989. Total fund balances of the expendable trust funds increased $191 million over the previous fiscal year, for total reported fund balances of $2,170 million at June 30, 1990. The two pension trust funds included in the Commonwealth's financial reporting entity reported combined fund balances of $25,670 million at June 30, 1990, an increase of $3,359 million over the previous fiscal year. Fund balances of the pension trust funds are completely reserved for pension benefits.

The total fund equity for the College and University Funds, used to account for the State System of Higher Education, at June 30, 1990 was $450 million, compared to $390 million at June 30, 1989.

GENERAL FIXED ASSETS

General fixed assets of the Commonwealth are those used in the performance of general governmental functions. The fixed assets of the proprietary and the fiduciary fund types and the College and University Funds are not included in the General Fixed Assets Account Group, except for certain real property used by the SSHE. General fixed assets as of June 30, 1990 amounted to $2,899.5 million at actual or estimated historical cost. Depreciation is not recognized for the Commonwealth's general fixed assets. Infrastructure assets, consisting primarily of highways, roads and bridges, are not recorded in the General Fixed Assets Account Group. Both of these practices are in conformity with GAAP.

INDEPENDENT AUDIT

The audit of the GPFS, evidenced by the Independent Auditors' Report submitted herewith, was performed jointly by the Department of the Auditor General and the independent public accounting firm of KPMG Peat Marwick. It was performed pursuant to the authority vested in the Auditor General and the Governor under Section 402 of the Fiscal Code of 1929 and in the Governor under Section 701 of the Administrative Code of 1929.

The Fiscal Code provides that the Department of the Auditor General shall make all audits of transactions after their occurrence, which may be necessary, in connection with the administration of the financial affairs of the government of the Commonwealth of Pennsylvania and that it shall be the duty of the Governor to make such audits of the affairs of the Department of the Auditor General.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Pennsylvania for its Comprehensive Annual Financial Report as of and for the fiscal year ended June 30, 1989. This represents the fourth consecutive year the Commonwealth of Pennsylvania has received this award.

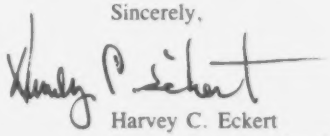
To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report which conforms to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only.

We believe the Comprehensive Annual Financial Report of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1990 conforms to the GFOA standards and we are submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for Excellence in Financial Reporting.

ACKNOWLEDGEMENTS

In conclusion, I wish to express my appreciation to the staff of the various Commonwealth agencies whose time and dedicated effort made this report possible and, at the same time, to reaffirm my commitment to you to maintain the highest standards of accountability in financial reporting to the citizens of the Commonwealth.

Sincerely,



Harvey C. Eckert
Deputy Secretary for Comptroller Operations
Office of the Budget

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Pennsylvania

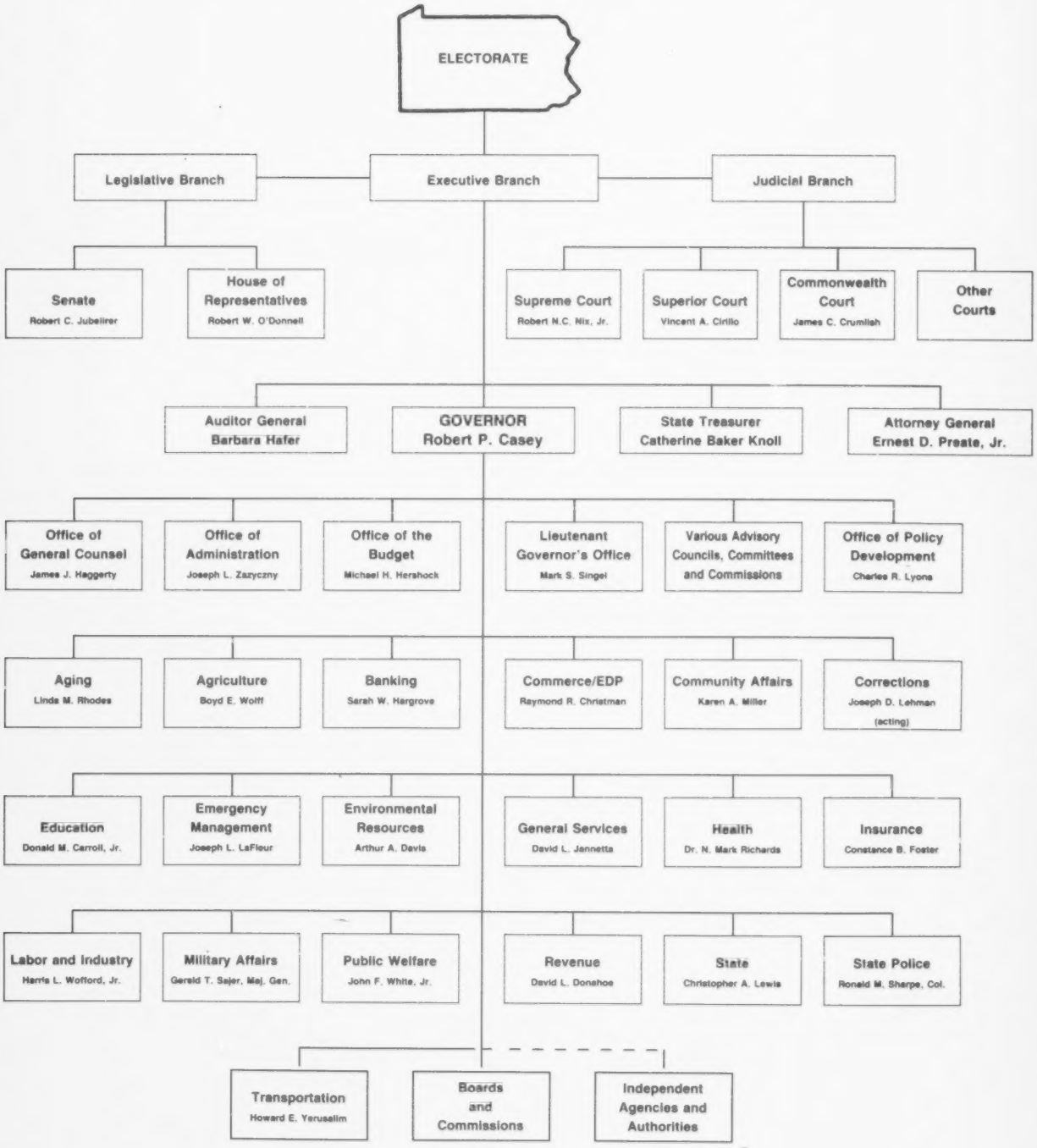
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1989

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) achieve the highest standards in government accounting and financial reporting.

Gary R. Hoistrem
President

Jeffrey L. Esser
Executive Director

COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION AND OFFICIALS CHART
JUNE 30,1990



Financial Section

Commonwealth of Pennsylvania
Office of the Auditor General
Harrisburg, PA 17120

BARBARA HAFER
AUDITOR GENERAL

KPMG Peat Marwick

Certified Public Accountants

225 Market Street
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Independent Auditors' Report

The Honorable Robert P. Casey
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

We have jointly audited the general purpose financial statements of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1990, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not jointly audit the financial statements of certain component units, which represent 52, 61, 73 and 79 percent of total assets and 4, 73, 64 and 42 percent of total revenues, respectively, of the Special Revenue, Debt Service, Capital Projects and Enterprise Fund Types, 90 percent of total assets of the Trust and Agency Fund Type, all revenues of the Pension Trust Funds, and 20 percent of total liabilities of the General Long-Term Obligations Account Group, and we did not jointly audit the financial statements of the State System of Higher Education which represent the amounts shown as the College and University Funds. The financial statements of these component units and the College and University Funds were audited by other auditors, including KPMG Peat Marwick acting separately, whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for those component units and the College and University Funds, is based solely on the reports of the other auditors. KPMG Peat Marwick has audited separately 18 and 62 percent of total assets and 12 and 58 percent of total revenues, respectively, of the Enterprise Funds and Pension Trust Funds and the financial statements of the State System of Higher Education.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The Department of the Auditor General emphasizes that, as required by the Governmental Accounting Standards Board, the general purpose financial statements, prepared in accordance with generally accepted accounting principles (GAAP), include a Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances - Budget and Actual (Budgetary Basis), General and Budgeted Special Revenue Funds. The Commonwealth of Pennsylvania's budgetary basis of accounting is described in Note B. GAAP requires a reconciliation of budgetary and GAAP basis amounts when a governmental entity adopts a budget on any basis other than GAAP. This reconciliation is included in Note M.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Pennsylvania at June 30, 1990, and the results of its operations and the changes in financial position of its Proprietary Fund Types and Pension Trust Fund for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Pennsylvania. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

Barbara Hafer

KPMG Peat Marwick

November 16, 1990, except for Note S
as to which the date is December 13, 1990

When we say that America starts here in Pennsylvania, you'll recall immediately the events that created this country. It was here, at Independence Hall in Philadelphia, that America declared her independence and framed the Constitution. This is where the Liberty Bell first rang.

Among our 335 official historic sites are the Brandywine Battlefield, where Washington's army resisted the British occupation of Philadelphia; Washington Crossing Historic Park, where the Colonial Army crossed the Delaware River on Christmas Day, 1776; and the city of York, America's first capital.

But all of these famous places are only a small part of our story. The notion that America starts here doesn't begin and end with the founding of this nation; rather, it recognizes an ongoing record of achievement, a time line of accomplishment, that stretches from 1776 into the 1990s.

As we stand at the threshold of the 21st century, Pennsylvania continues to lead the nation in innovation. The first computer was invented at the University of Pennsylvania. The electron microscope was invented in Allegheny County. The nation's first Robotics Institute was founded at Pittsburgh's Carnegie Mellon University in 1979.

The history of Pennsylvania's ingenuity runs from Benjamin Franklin's bifocals to the supercomputer, and from this country's first cookbook to the Constitution.

General Purpose Financial Statements

COMBINED BALANCE SHEET
All Fund Types and Account Groups

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups			
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	College and University Funds	Totals (Memorandum Only)
ASSETS AND OTHER DEBITS											
Assets:											
Cash—Note D	$ 42,962	$ 29,700	$ 15	$ 13	$ 21,878	$ 459	$ 3,500	$	$	$ 5,180	$ 103,707
Cash with fiscal agents—Note D		120	41,141	6,418			1,755,368				1,803,047
Temporary investments—Note D	510,321	814,593	78,335	244,076	2,637,698	14,284	2,289,488			196,269	6,785,064
Long-term investments—Note D		18,207	60,273	89,169	1,111,511		23,531,052			24,452	24,834,664
Receivables, net:											
Taxes—Note G	583,682	148,958					271,294				1,003,934
Accounts	26,041	30,529	20,000		41,133	23	10,659			11,858	140,243
Accrued interest	7,475	6,268	2,022	3,306	74,089	96	282,246			35	375,537
Loans—Note G		106,524			3,156,678					20,341	3,283,543
Lease rental—Note G		1,346,167	34,876								1,381,043
Pension contributions							238,267				238,267
Other	723	3,095		1,041		76	8,213			6,093	19,241
Due from other funds—Note H	25,983	70,444	438	165	10,229	10,726	235,093			71,491	424,569
Due from other governments—Note F	526,225	89,173			37,187	860	28,539				681,984
Advances to other funds	70,175										70,175
Inventory					115,959	12,004				4,261	132,224
Fixed assets—Note E					1,583,083	41,864	7,826	2,899,501		380,098	4,912,372
Less: accumulated depreciation					(754,812)	(23,296)	(2,171)				(780,279)
Other assets	6,152				46,074	44	153,109			18,654	224,033
Other Debits:											
Amounts available in Commonwealth Funds for:											
Retirement of general obligation bonds									1,274		1,274
Retirement of other bonds									84,495		84,495
Other general long-term obligations—Note B									5,250		5,250
Amounts to be provided for the retirement of:											
General obligation bonds									4,632,233		4,632,233
Other bonds									1,510,520		1,510,520
Other general long-term obligations									1,732,361		1,732,361
TOTAL ASSETS AND OTHER DEBITS	$ 1,799,739	$ 2,663,778	$ 237,100	$ 344,188	$ 8,080,707	$ 57,140	$28,812,483	$ 2,899,501	$ 7,966,133	$ 738,732	$53,599,501

— See notes to financial statements. —

COMBINED BALANCE SHEET
All Fund Types and Account Groups—(continued)

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups			
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	College and University Funds	Totals (Memorandum Only)
Liabilities:											
Accounts payable and accrued liabilities	$ 1,075,844	$ 485,999	$ 34	$ 32,689	$ 266,054	$ 9,127	$ 242,599	$	$	$ 64,984	$ 2,177,330
Investment purchases payable							295,350				295,350
Tax refunds payable	256,702	285					2,598				259,585
Matured debt principal and interest payable			35,477								35,477
Due to other funds—Note H	261,329	26,998	1	31,060	20,479	8,012	1,366			82,043	431,288
Due to other governments	312,587	23,541		7	18,044	31	194,450				548,660
Deferred revenue	13,053	1,353,361	54,876		58,325	126	340			24,089	1,504,170
Notes payable—Note J					367,421					3,131	370,552
Demand revenue bonds payable—Note J					435,000						435,000
Advances from other funds		2,175			68,000						70,175
Other liabilities			729		142,940	100	235,872			10,262	389,903
Insurance loss liability					686,547						686,547
General obligation bonds payable—Note K									4,633,507		4,633,507
Bonds payable—Note K									1,595,015		1,595,015
Revenue bonds payable—Note K					3,386,456						3,386,456
Capital lease and other general long-term obligations—Note K									1,737,611	104,080	1,841,691
TOTAL LIABILITIES	1,919,515	1,892,359	91,117	63,756	5,449,266	17,396	972,575		7,966,133	288,589	18,660,706
Equity and Other Credits:											
Contributed capital					856,659	9,187					865,846
Investment in fixed assets								2,899,501		305,899	3,205,400
Retained earnings:											
Reserved—Note B					1,065,710						1,065,710
Unreserved—Note C					709,072	30,557					739,629
Fund balance:											
Reserved for:											
Encumbrances	96,374	159,064		314,804			794			9,598	580,634
Advances	70,175										70,175
Pension benefits							25,670,354				25,670,354
Loans receivable		106,524								22,032	128,556
Long-term investments		18,207	60,273	89,169			232,337				399,986
Endowment and similar funds										11,813	11,813
Restricted fund balance										21,663	21,663
Other	6,875									19,892	26,767
Unreserved:											
Designated for:											
Capital projects				159,824							159,824
Debt service:											
Retirement of general obligation bonds			1,274								1,274
Retirement of other bonds			84,495								84,495
Highways		81,957									81,957
Other—Note B		34,875					5,459				40,334
Undesignated (deficit)—Note C	(293,200)	370,792	(59)	(283,365)			1,930,964			59,246	1,784,378
TOTAL EQUITY AND OTHER CREDITS	(119,776)	771,419	145,983	280,432	2,631,441	39,744	27,839,908	2,899,501		450,143	34,938,795
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$ 1,799,739	$ 2,663,778	$ 237,100	$ 344,188	$ 8,080,707	$ 57,140	$28,812,483	$ 2,899,501	$ 7,966,133	$ 738,732	$53,599,501

— See notes to financial statements. —

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

All Governmental Fund Types and Expendable Trust Funds

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
REVENUES:						
Taxes	$11,006,832	$ 1,045,285	$	$	$ 6,545	$12,058,662
Unemployment taxes					1,224,605	1,224,605
Licenses and fees	100,658	560,607			50,812	712,077
Intergovernmental	3,427,617	928,287		2,205		4,358,109
Charges for sales and services	384,264	115,221		4,158		503,643
Investment income	85,070	80,967	27,054	28,744	164,150	385,985
Lottery revenues		1,529,835				1,529,835
Lease rental principal		117,245				117,245
Lease rental interest		76,977				76,977
Other	63,774	112,225	9,622	9,475	906	196,002
TOTAL REVENUES	15,068,215	4,566,649	36,676	44,582	1,447,018	21,163,140
EXPENDITURES:						
Current:						
General government	786,063	1,135,013			7,453	1,928,529
Protection of persons and property	1,211,457	5,876			50,193	1,267,526
Public health and welfare	6,953,360	791,659			1,186,310	8,931,329
Public education	5,342,678	2,350		252,907	119	5,598,054
Conservation of natural resources	267,972	105,747				373,719
Economic development and assistance	245,378	40,242		78,330		363,950
Transportation	246,196	2,075,179		70,990		2,392,365
Capital outlay	30,648	24,944		113,215		168,807
Debt service:						
Principal retirement			608,360			608,360
Interest and fiscal charges	41,057	5,092	408,886	539	136	455,710
TOTAL EXPENDITURES	15,124,809	4,186,102	1,017,246	515,981	1,244,211	22,088,349
REVENUES OVER (UNDER) EXPENDITURES	(56,594)	380,547	(980,570)	(471,399)	202,807	(925,209)
OTHER FINANCING SOURCES (USES):						
Bond proceeds		1,977		699,834		701,811
Refunding bond proceeds			3,750			3,750
Operating transfers in—Note H	351,220	494,791	1,064,452	6,925	13	1,917,401
Operating transfers out—Note H	(1,016,738)	(984,108)	(73,777)	(225,265)	(11,700)	(2,311,588)
Payment to refunded bond escrow agent			(3,664)			(3,664)
Capital lease and installment purchase obligations	3,935	10,253				14,188
Other		(331)	(1,959)	(1,805)		(4,095)
NET OTHER FINANCING SOURCES (USES)	(661,583)	(477,418)	988,802	479,689	(11,687)	317,803
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(718,177)	(96,871)	8,232	8,290	191,120	(607,406)
FUND BALANCES, JULY 1, 1989	618,916	873,375	137,751	335,203	1,978,434	3,943,679
RESIDUAL EQUITY TRANSFERS—NOTE H	(20,515)	(5,085)		(63,061)		(88,661)
FUND BALANCES (DEFICIT), JUNE 30, 1990	$ (119,776)	$ 771,419	$ 145,983	$ 280,432	$ 2,169,554	$ 3,247,612

— See notes to financial statements. —

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED/UNDESIGNATED FUND BALANCES— BUDGET AND ACTUAL (BUDGETARY BASIS)

General and Budgeted Special Revenue Funds

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
State Programs:						
Taxes, net of refunds	$11,280,398	$11,048,163	$ (232,235)	$ 947,372	$ 941,571	$ (5,801)
Lottery receipts				944,900	843,655	(101,245)
Liquor store profits transfer	16,000	41,250	25,250			
Licenses and fees	46,500	44,402	(2,098)	463,872	461,463	(2,409)
Fines, penalties and interest	18,640	21,114	2,474			
Departmental services	530,697	530,697		44,734	44,734	
Other	214,960	304,308	89,348	107,811	121,100	13,289
TOTAL STATE PROGRAMS	12,107,195	11,989,934	(117,261)	2,508,689	2,412,523	(96,166)
Federal Programs	3,729,701	3,547,592	(182,109)	850,829	674,453	(176,376)
TOTAL REVENUES	15,836,896	15,537,526	(299,370)	3,359,518	3,086,976	(272,542)
EXPENDITURES:						
State Programs:						
General government	1,105,883	1,072,917	32,966	598,332	528,630	69,702
Protection of persons and property	1,090,400	1,076,334	14,066	187,261	182,232	5,029
Public health and welfare	3,856,155	3,813,686	42,469	701,763	689,942	11,821
Public education	5,831,586	5,688,857	142,729	2,300	1,785	515
Conservation of natural resources	232,901	225,913	6,988			
Economic development and assistance	241,009	230,699	10,310			
Transportation	242,984	242,423	561	1,169,041	1,148,859	20,182
TOTAL STATE PROGRAMS	12,600,918	12,350,829	250,089	2,658,697	2,551,448	107,249
Federal Programs	3,729,701	3,547,592	182,109	850,829	674,453	176,376
TOTAL EXPENDITURES	16,330,619	15,898,421	432,198	3,509,526	3,225,901	283,625
REVENUES UNDER EXPENDITURES	(493,723)	(360,895)	132,828	(150,008)	(138,925)	11,083
OTHER FINANCING SOURCES:						
Prior year lapses	111,999	111,999		21,923	21,923	
TOTAL OTHER FINANCING SOURCES	111,999	111,999		21,923	21,923	
REVENUES AND OTHER SOURCES UNDER EXPENDITURES	(381,724)	(248,896)	132,828	(128,085)	(117,002)	11,083
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JULY 1, 1989	385,079	385,079		349,532	349,532	
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1990 - NOTE M	$ 3,355	$ 136,183	$ 132,828	$ 221,447	$ 232,530	$ 11,083

— See notes to financial statements —

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
All Proprietary Fund Types and Pension Trust Funds

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Pension Trust—Note I	Totals (Memorandum Only)
OPERATING REVENUES:				
Sales and services	$ 1,086,955	$ 42,080	$	$ 1,129,035
Investment income	228,532		2,904,800	3,133,332
Interest on notes and loans	237,235			237,235
Pension contributions			1,966,979	1,966,979
Other	9,792	32		9,824
TOTAL OPERATING REVENUES	1,562,514	42,112	4,871,779	6,476,405
OPERATING EXPENSES:				
Cost of sales and services	1,162,191	36,261	18,570	1,217,022
Interest expense	248,168		8,706	256,874
Depreciation	69,688	5,510	1,071	76,269
Bad debts	20,830			20,830
Benefit payments and refunds			1,492,557	1,492,557
Other—Note S	25,713			25,713
TOTAL OPERATING EXPENSES	1,526,590	41,771	1,520,904	3,089,265
OPERATING INCOME	35,924	341	3,350,875	3,387,140
NONOPERATING REVENUES (EXPENSES):				
Investment income	33,901	1,625		35,526
Interest expense	(10,114)	(257)		(10,371)
Other	8,532	(256)		8,276
NONOPERATING REVENUES, NET	32,319	1,112		33,431
INCOME BEFORE OPERATING TRANSFERS	68,243	1,453	3,350,875	3,420,571
OPERATING TRANSFERS:				
Operating transfers in—Note H	180,156		12,279	192,435
Operating transfers out—Note H	(151,250)		(3,912)	(155,162)
TOTAL OPERATING TRANSFERS	28,906		8,367	37,273
NET INCOME	97,149	1,453	3,359,242	3,457,844
RETAINED EARNINGS/FUND BALANCES, JULY 1, 1989	1,702,633	29,104	22,311,112	24,042,849
RESIDUAL EQUITY TRANSFER—NOTE H	(25,000)			(25,000)
RETAINED EARNINGS/FUND BALANCES, JUNE 30, 1990	$ 1,774,782	$ 30,557	$25,670,354	$27,475,693

— See notes to financial statements. —

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
All Proprietary Fund Types and Pension Trust Fund

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Pension Trust Note I	Totals (Memorandum Only)
CASH PROVIDED FROM (USED FOR) OPERATIONS:				
Net income	$ 97,149	$ 1,453	$ 1,886,513	$ 1,985,115
Items not using (providing) cash:				
Depreciation	69,688	5,510	1,056	76,254
Net amortization	4,972		224	5,196
Net gain on sale of long-term investments	(7,039)		(552,077)	(559,116)
	164,770	6,963	1,335,716	1,507,449
Decrease (increase) in receivables	(405,369)	(42)	16,013	(389,398)
Increase in due from other funds	(6,277)	(30)	(5,636)	(11,943)
Increase in due from other governments	(26,467)	(43)		(26,510)
Increase in inventory	(19,781)	(144)		(19,925)
Increase (decrease) in accounts payable and accrued liabilities	43,458	3,234	(2,544)	44,148
Increase (decrease) in due to other funds	1,571	(100)	(2,586)	(1,115)
Increase in due to other governments	8,958	8		8,966
Increase (decrease) in deferred revenue	28,265	(1,177)		27,088
Increase in insurance loss liability	23,020			23,020
TOTAL CASH PROVIDED FROM (USED FOR) OPERATIONS	(187,852)	8,669	1,340,963	1,161,780
CASH PROVIDED FROM (USED FOR) INVESTMENT ACTIVITIES:				
Decrease (increase) in other current assets	(2,202)	(8)	1,660	(550)
Proceeds from sale of long-term investments	471,216		10,198,073	10,669,289
Purchase of long-term investments	(297,701)		(12,396,552)	(12,694,253)
Increase (decrease) in other current liabilities	28,721	(32)	72,763	101,452
Additions to fixed assets	(141,082)	(2,362)	(451)	(143,895)
NET CASH FROM (USED FOR) INVESTMENT ACTIVITIES	58,952	(2,402)	(2,124,507)	(2,067,957)
CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES:				
Issuance of revenue bonds	574,176			574,176
Increase in contributed capital	112,731			112,731
Decrease in notes payable	(22,097)			(22,097)
Redemption of long-term obligations	(443,768)			(443,768)
Residual equity transfer out	(25,000)			(25,000)
NET CASH PROVIDED FROM FINANCING ACTIVITIES	196,042			196,042
INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	67,142	6,267	(783,544)	(710,135)
CASH AND TEMPORARY INVESTMENTS, JULY 1, 1989	2,592,434	8,476	1,988,396	4,589,306
CASH AND TEMPORARY INVESTMENTS, JUNE 30, 1990	$ 2,659,576	$ 14,743	$ 1,204,852	$ 3,879,171

— See notes to financial statements. —

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
College and University Funds

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds				Plant Funds				
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	Totals
REVENUES AND OTHER ADDITIONS:									
Unrestricted current funds	$ 373,471	$	$	$	$	$	$	$	$ 373,471
Gifts and bequests	....	2,787	5	333	228	....	163	530	4,046
Grants and contracts	....	79,305	197	....	250	....	....	....	79,752
Federal advances	....	....	1,603	....	....	....	....	....	1,603
Endowment income	....	468	2	5	....	....	....	....	475
Investment income	....	187	64	....	955	24	260	....	1,490
Interest on loans receivable	....	....	435	....	....	....	....	....	435
Expended for plant facilities — Net of disposals (including $5,446 charged to current funds expenditures)	....	....	....	....	....	....	....	56,783	56,783
Retirement of indebtedness	....	....	....	....	....	....	....	11,605	11,605
Other	....	....	....	102	....	....	....	....	102
TOTAL REVENUES AND OTHER ADDITIONS	373,471	82,747	2,306	440	1,433	24	423	68,918	529,762
EXPENDITURES AND OTHER DEDUCTIONS:									
Educational and general	563,368	83,895	....	....	....	....	....	....	647,263
Auxiliary enterprises	87,422	148	....	....	....	....	....	....	87,570
Loan cancellations	....	....	786	....	....	....	....	....	786
Administrative and collection costs	....	....	370	....	....	....	....	....	370
Expended for plant facilities	....	....	....	....	3,850	12,222	....	....	16,072
Retirement of indebtedness	....	....	....	....	....	....	11,605	....	11,605
Interest on indebtedness	....	....	....	....	113	....	3,972	....	4,085
Other	....	1,967	80	....	....	....	....	45,465	47,512
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	650,790	86,010	1,236	....	3,963	12,222	15,577	45,465	815,263
TRANSFER AND ALLOCATION AMONG FUNDS — ADDITIONS (DEDUCTIONS):									
Mandatory:									
Principal and interest	(12,614)	....	....	....	(981)	(381)	13,976	....	....
Other	(1,844)	....	....	....	79	1,765	....	....	....
Nonmandatory:									
Operating transfers in from General Fund	337,925	3,473	....	....	....	3,800	....	83	345,281
Other	(36,708)	(155)	25	837	4,147	11,712	20,142	....	....
TOTAL TRANSFERS AND ALLOCATIONS	286,759	3,318	25	837	3,245	16,896	34,118	83	345,281
NET INCREASE FOR THE YEAR	9,440	55	1,095	1,277	715	4,698	18,964	23,536	59,780
FUND BALANCES, JULY 1, 1989	26,081	9,584	20,937	3,946	21,909	24,707	836	282,363	390,363
FUND BALANCES, JUNE 30, 1990	$ 35,521	$ 9,639	$ 22,032	$ 5,223	$ 22,624	$ 29,405	$ 19,800	$ 305,899	$ 450,143

— See notes to financial statements. —

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

College and University Funds — *For the Fiscal Year Ended June 30, 1990*

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	$ 237,577	$	$ 237,577
Government grants and contracts:			
State and local	444	26,856	27,300
Federal	1,221	49,038	50,259
Private gifts, grants and contracts	3,445	5,348	8,793
Investment income	14,398	146	14,544
Endowment income	55	406	461
Activities of educational departments	931	93	1,024
Other sources	18,667	3	18,670
Auxiliary enterprises	96,733	. . . .	96,733
TOTAL REVENUES	373,471	81,890	455,361
EXPENDITURES AND MANDATORY TRANSFERS:			
EXPENDITURES:			
Educational and general:			
Instruction	285,733	5,666	291,399
Research	584	1,246	1,830
Public service	6,557	8,594	15,151
Academic support	63,216	2,120	65,336
Student services	47,892	3,147	51,039
Operations and maintenance of plant	69,680	878	70,558
General institutional support	84,092	3,653	87,745
Student aid	5,614	58,591	64,205
TOTAL EDUCATIONAL AND GENERAL	563,368	83,895	647,263
Auxiliary enterprises	87,422	148	87,570
TOTAL EXPENDITURES	650,790	84,043	734,833
MANDATORY TRANSFERS:			
Renewal and replacement	1,765	. . . .	1,765
Principal and interest	12,614	. . . .	12,614
Other	79	. . . .	79
TOTAL MANDATORY TRANSFERS	14,458	. . . .	14,458
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	665,248	84,043	749,291
OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS:			
Operating transfers in from General Fund	337,925	3,473	341,398
Other transfers	(36,708)	155	(36,553)
Deductions	. . . .	(1,420)	(1,420)
TOTAL OPERATING TRANSFERS, OTHER TRANSFERS AND DEDUCTIONS	301,217	2,208	303,425
NET INCREASE IN FUND BALANCES	$ 9,440	$ 55	$ 9,495

— See notes to financial statements. —

COMMONWEALTH OF PENNSYLVANIA

NOTE A—FINANCIAL REPORTING ENTITY

For financial reporting purposes, in conformity with generally accepted accounting principles (GAAP), the Commonwealth includes all funds, agencies, boards, commissions and authorities over which the Commonwealth's executive or legislative branches exercise oversight responsibility. Oversight responsibility of the Commonwealth was determined on the basis of budget adoption, tax authority, funding, outstanding debt secured by revenues of the Commonwealth, authority to appoint an organization's governing board, and the organization's scope of service and financing relationship to the Commonwealth. The accompanying financial statements include all Commonwealth funds, agencies, boards and commissions required to submit an annual budget in accordance with Section 610 of the Administrative Code of 1929, as amended, and the following organizations:

Pennsylvania Higher Educational Facilities Authority
Pennsylvania Higher Education Assistance Agency
Pennsylvania Housing Finance Agency
Pennsylvania Industrial Development Authority
Pennsylvania Turnpike Commission
Public School Employes' Retirement System
State Employes' Retirement System
State Highway and Bridge Authority
State Public School Building Authority
State System of Higher Education

Certain independent charitable foundations and affiliated organizations of the State System of Higher Education, including alumni associations, trusts, student government associations, bookstores and science and research centers are not included in the Commonwealth financial reporting entity. Such foundations and organizations are separate and distinct from the respective universities — they are separately incorporated, have their own charters and are governed by representatives from the private sector. The foundations and affiliated organizations are responsible for their own daily operations, debt service, personnel and financial management.

The State-Related Universities listed below are not considered part of the reporting entity since they determine their own budgets without review or modification by the Commonwealth, have the power to fix and collect charges for their services, have the responsibility to fund their own deficits, dispose of their own surplus, exercise complete autonomy over fiscal and institutional matters and may issue debt which is neither a statutory nor a moral obligation of the Commonwealth:

Pennsylvania State University
Temple University
University of Pittsburgh
Lincoln University

The Pennsylvania Municipal Retirement System is excluded from the reporting entity because the System independently fixes and collects charges for providing municipal pension benefits, receives no funds from the Commonwealth, has no continuing policy-making affiliation with the Commonwealth and exercises complete autonomy over financial, operational and personnel matters.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting: In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or other resources together with all related liabilities and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations. In the Commonwealth, funds are established by legislative enactment or in certain cases by administrative action.

NOTE B—Summary of Significant Accounting Policies (continued)

The Commonwealth has established the following fund categories, fund types and account groups:

Governmental Funds

General Fund — Accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the Commonwealth's major operating fund.

Special Revenue Funds — Account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. Although included as a Special Revenue Fund, the State Lottery Fund reports on a basis of accounting which provides results which are the same as if the full accrual method of accounting were used, except for fixed assets and related depreciation, which are not reported.

Debt Service Funds — Account for the accumulation of resources, principally transfers from other funds, for the payment of general long-term debt principal and interest.

Capital Projects Funds — Account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions and other public organizations (other than those financed by Proprietary or Fiduciary Funds).

Proprietary Funds

Enterprise Funds — Account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges. The State Workmen's Insurance Fund is included for its fiscal year ended December 31, 1989, the Pennsylvania Turnpike Commission for its fiscal year ended May 31, 1990 and the State Stores Fund for its 52 week period ended June 26, 1990.

Internal Service Funds — Account for the financing of goods or services provided by one department or agency to other departments or agencies of the Commonwealth, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds — Account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust Funds, Pension Trust Funds and Agency Funds. The State Employes' Retirement System, a Pension Trust Fund, and the Deferred Compensation Fund, an Agency Fund, are included for their fiscal years ended December 31, 1989.

Account Groups

General Fixed Assets Account Group — Accounts for all general fixed assets acquired or constructed for use by the Commonwealth in the conduct of its activities, except those accounted for in Proprietary Funds, Pension Trust Funds, and College and University Funds.

General Long-Term Obligations Account Group — Accounts for all long-term obligations of the Commonwealth, except those accounted for in Proprietary Funds and College and University Funds.

College and University Funds

Account for the operations of the Office of the Chancellor and the 14 state-owned universities, which comprise the State System of Higher Education, in accordance with existing authoritative accounting and reporting principles applicable to colleges and universities. Accordingly, the College and University Funds are an aggregation of the following funds:

Current Funds—Unrestricted — Account for economic resources of the institution which are expendable for any purpose in performing the primary objectives of the universities and have not been designated by the governing body for any other purpose.

NOTE B—Summary of Significant Accounting Policies (continued)

Current Funds—Restricted — Account for resources received from donors or other outside agencies that are restricted by them for specific operating purposes.

Loan Funds — Account for resources available for loans to students, faculty or staff.

Endowment and Similar Funds — Consist of endowment funds, term endowment funds and quasi-endowment funds.

Endowment Funds — Account for resources which the donor has stipulated, as a condition of the gift instrument, that the principal amount would be maintained inviolate and in perpetuity for investment. Investment earnings may be added to the principal or expended for restricted or unrestricted purposes, based on the donor's stipulation.

Term Endowment Funds — Account for resources, all or a part of the principal of which may be expended upon the passage of time or the occurrence of a particular event.

Quasi-Endowment Funds — Account for resources that the governing board of an institution, rather than an outside source, has determined will be retained and invested. Since this is an internal designation, the Board of Governors has the right to expend the principal of these funds at any time.

Plant Funds — Account for (a) resources available to acquire or repair institutional properties and to service debt incurred to acquire such properties and (b) the cost of fixed assets and the source from which the cost is funded.

Agency Funds — Account for resources held by the institution acting in the capacity of an agent for distribution to designated beneficiaries.

Measurement Focus and Basis of Accounting (GAAP): The accounts of the general, special revenue, debt service, capital projects funds (Governmental Fund Types) and expendable trust funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. Assets and liabilities of agency funds are reported using the modified accrual basis of accounting. Under this measurement focus only current assets and current liabilities are normally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Fund balance represents a measure of "available spendable resources." Under the modified accrual basis of accounting, revenues of governmental and expendable trust funds are recognized in the year that they become both measurable and available (within 60 days of fiscal year-end) to pay current fiscal year liabilities. The Commonwealth accrues the following major revenue sources that are both measurable and available:

Sales and use taxes, cigarette taxes, corporation taxes, personal income taxes, liquid fuels taxes, liquor taxes, grant revenues, investment income, institutional revenues, lottery revenues and sales of goods and services.

Revenues from other sources are recognized when received. Expenditures are generally recognized in the fiscal year the goods or services are received and the related fund liability is incurred. Debt service expenditures for principal and interest on general long-term obligations are recognized when due unless resources have been provided for payment early in the subsequent fiscal year. Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating cost to the fiscal year when the items are used. Expenditures for claims, judgments, compensated absences and employer pension contributions are reported as the amount accrued during the fiscal year that normally would be liquidated with expendable available financial resources.

NOTE B—Summary of Significant Accounting Policies (continued)

The accounts of the enterprise, internal service (Proprietary Fund Types) and pension trust funds are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under this measurement focus all assets and liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e., net total assets) consists of contributed capital and retained earnings. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred.

The accounts of the College and University Funds are reported using the "financial flow" (spending) measurement focus and the accrual basis of accounting with the exception that depreciation expense related to plant fund assets is not recorded. This treatment is in accordance with the National Association of College and University Business Officers' (NACUBO) *College and University Business Administration (1982)* and the American Institute of Certified Public Accountants' (AICPA) *Audits of Colleges and Universities (1975)* for institutions of higher education.

Basis of Accounting (Budgetary). The Commonwealth's Constitution requires that the Governor submit a budget annually to be adopted by the General Assembly for the ensuing fiscal year. The General Assembly may add, change or delete any items in the budget proposed by the Governor, but the Governor retains veto power over the individual appropriations passed by the legislature. The Governor may also reduce individual appropriations, but may not increase them. A gubernatorial veto can be overridden only by a two-thirds majority of each House of the General Assembly.

The Commonwealth's budgets are prepared essentially on a cash basis. Total appropriations enacted by the General Assembly may not exceed the ensuing fiscal year's estimated revenues, as developed by the Governor, plus (less) the unappropriated fund balance (deficit) of the preceding fiscal year, except for constitutionally authorized debt service payments.

Budgetary control is exercised at the appropriation level (legislative spending authority level). Encumbrances and expenditures cannot exceed appropriated amounts. Appropriation transfers between departments and any supplemental appropriations require both executive and legislative branch approval. Unencumbered and unexpended appropriations lapse at fiscal year end and become available for appropriation in the subsequent year. On the budgetary basis of accounting, certain estimated tax revenue accruals are recorded at fiscal year end for the General Fund and the Motor License Fund, a Special Revenue Fund. Accruals include sales and use taxes and personal income taxes, both applicable to the General Fund, and liquid fuels taxes applicable to the Motor License Fund, which are estimated to be owed to the Commonwealth but not collected at fiscal year end. Also, estimated encumbrances are established for all funds at fiscal year end to pay certain direct expenditures for salaries, wages, travel, and utility costs payable against current year appropriation authority but expended in the subsequent year. Over-estimates of prior year encumbrances are lapsed in the subsequent year and under-estimates are charged to subsequent year appropriation authority. A separate document, "Status of Appropriations" for the fiscal year ended June 30, 1990 reports the level of legal control at the appropriation level for specific departmental programs and functions, and is available from the Commonwealth's Office of the Budget.

Budgets are legally adopted each fiscal year for the following funds:

General Fund
Special Revenue Funds:
- State Lottery
- Motor License
- Workmen's Compensation Administration
- State Public School Building Authority

The legally adopted budget for the General Fund includes $136.8 million in supplemental appropriations approved during the fiscal year ended June 30, 1990.

NOTE B—Summary of Significant Accounting Policies (continued)

Not all Special Revenue Funds are controlled by legally adopted budgets. Controls over spending in such Special Revenue Funds are maintained by use of spending limits (executive authorizations) established by the Governor.

The Commonwealth also makes appropriations to authorize expenditures for various capital projects. Appropriations for capital projects normally remain in effect until the completion of each project unless modified or rescinded.

Budget revenues in the accompanying Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances — Budget and Actual (Budgetary Basis) represent official estimates while expenditures represent amounts originally adopted and legally amended. Actual amounts are presented on the budgetary basis. Because the budgetary basis of accounting differs from GAAP, a reconciliation of the differences between budgetary basis and the GAAP basis of reporting is presented in Note M.

Pooled Cash: In accordance with the Pennsylvania Fiscal Code, cash balances of most Commonwealth funds are pooled by the Treasury Department. Cash balances are segregated by fund, but accounted for centrally for receipt and disbursement purposes. The law requires that collateral be pledged by banks and other financial institutions to guarantee the Commonwealth's cash on deposit.

Investments: Investments are maintained separately by fund. Temporary investments are stated at cost, which approximates market. Long-term investments are stated at cost for equity securities and at amortized cost for debt securities, except for various investments of the State Employes' Retirement System and the Deferred Compensation Fund, which are stated at market value.

Grants: Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures or expenses are incurred.

Inventories: Inventories of goods, materials and supplies are maintained by the Proprietary and College and University Funds. These inventories are valued at the lower of cost or market (first-in, first-out) for Proprietary and weighted average for College and University Funds. In the governmental fund types, inventories are accounted for on the purchases method.

Fixed Assets and Depreciation: General fixed assets are reported at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Public domain general fixed assets (including highways, bridges, highway land and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets. Land and buildings used by the State System of Higher Education (SSHE), which were acquired or constructed before July 1, 1983, the inception date for the SSHE, are reported in the Commonwealth's General Fixed Assets Account Group. All general fixed assets acquired or constructed by the SSHE subsequent to June 30, 1983 without the use of university funds or incurrence of the SSHE debt are also reported in the Commonwealth's General Fixed Assets Account Group. This accounting treatment is used to conform to the enabling legislation for the SSHE, which includes the vesting of title for the SSHE property.

Fixed assets related to Proprietary and Pension Trust Funds are reported in those funds at cost or estimated historical cost. Depreciation is reported on a straight-line basis over the fixed assets' estimated useful lives. The following lives are used:

Buildings	10-50 years
Improvements other than buildings	5-50 years
Furniture, machinery and equipment	3-25 years

Fixed assets reported by the SSHE are stated at cost. Depreciation is not recorded on the SSHE fixed assets.

NOTE B—Summary of Significant Accounting Policies (continued)

Amounts Available in Commonwealth Funds: The amount available for retirement of Other General Long-Term Obligations in the amount of $5,250 thousand is reported in the Workmen's Compensation Security Trust Fund, an Expendable Trust Fund, as Fund Balance "Designated—Other" at June 30, 1990.

Insurance Loss Liability: The insurance loss liability represents an estimate of the ultimate net costs of unpaid claims relating to policyholders of the State Workmen's Insurance Fund, an Enterprise Fund. These loss reserves are discounted at a 6 percent rate.

Self-Insurance: The Commonwealth is uninsured for property losses and self-insured for employe disability and tort claims. Reporting of self-insurance liabilities is described in Note O.

Compensated Absences: Employes accumulate annual leave based on 2 percent to 10 percent of regular hours paid to a maximum of 45 days. Employes are paid for accumulated annual leave upon termination or retirement.

Employes accumulate sick leave based on 5 percent of regular hours paid to a maximum of 200 days. Retiring employes that meet service, age or disability requirements are paid for 30 percent of their accumulated unused sick leave.

Accumulated annual and sick leave liability payable in subsequent fiscal years from Governmental Funds and Expendable Trust Funds are reported in the General Long-Term Obligations Account Group. Proprietary, Pension Trust, and College and University Funds accrue annual and sick leave in the fiscal year earned.

Pension Costs: The Commonwealth's policy is to fund pension costs incurred and to amortize prior service costs over varying periods not exceeding 30 years.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded as a reserve of the applicable appropriation, is employed as an extension of formal budgetary integration in the Commonwealth's accounting system. Encumbrances outstanding at fiscal year end are reported as reservations of fund balance for subsequent year expenditures.

Reserves and Designations: Reserves represent portions of fund balances that are legally segregated for a specific future use or are not appropriable for expenditure.

The amount reserved for advances in the General Fund is applicable to a demand loan to the State Stores Fund, an advance to the State Workmen's Insurance Fund, both Enterprise Funds, and an advance to the Motor License Fund, a Special Revenue Fund.

NOTE B—Summary of Significant Accounting Policies (continued)

Reserved retained earnings for Enterprise Funds are provided principally for the retirement of debt relating to the Pennsylvania Turnpike Commission, insurance claims relating to the State Workmen's Insurance Fund, student loans relating to the Pennsylvania Higher Education Assistance Agency, and housing loans relating to the Pennsylvania Housing Finance Agency. At June 30, 1990 the Commonwealth has included the following reservations of retained earnings for the Enterprise Funds (expressed in thousands):

Pennsylvania Turnpike Commission	$ 811,048
Pennsylvania Higher Education Assistance Agency	158,652
State Workmen's Insurance Fund	69,100
Pennsylvania Housing Finance Agency	24,555
Other funds	2,355
Total Enterprise Funds	$1,065,710

Designations of unreserved fund balances reflect managerial plans for the future use of financial resources. At June 30, 1990 the Commonwealth has included the following amounts as "Designated—Other" for the Special Revenue Funds and Expendable Trust Funds (expressed in thousands):

Special Revenue Funds:	
Land reclamation	$ 15,797
Energy conservation and development	10,085
Economic development	5,127
Solid waste grants	3,851
Other	15
Total Special Revenue Funds	$ 34,875
Expendable Trust Funds:	
Workmen's Compensation Security Trust Claims	$ 5,250
Other	209
Total Expendable Trust Funds	$ 5,459

Intergovernmental Revenues: These amounts represent revenues received principally from the Federal Government.

NOTE B—Summary of Significant Accounting Policies (continued)

Interfund Transactions: The Commonwealth has the following types of transactions among funds:

Statutory Transfers (Operating Transfers) — Legally required transfers that are reported when incurred as "Operating transfers in" by the recipient fund and as "Operating transfers out" by the disbursing fund.

Transfers of Expenditures (Reimbursements) — Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Residual Equity Transfers — Nonroutine or nonrecurring transfers between funds that are reported as additions to or deductions from the fund equity balance.

Interfund Payments (Quasi-external Transactions) — Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the Commonwealth's interfund receivables and payables at June 30, 1990 is presented in Note H.

Totals—Memorandum Only: The "Totals (Memorandum Only)" columns represent an aggregation of the combined financial statement amounts of the fund types and account groups and are presented only for analytical purposes. These amounts are not comparable to a consolidation and do not represent the total resources available to or used by the Commonwealth. Interfund eliminations have not been made in the aggregation of the totals.

NOTE C—FUND BALANCE/RETAINED EARNINGS DEFICITS

The General Fund had a fund balance deficit of $119.8 million at June 30, 1990 which resulted from the recognition of accrued expenditures in excess of accrued revenues. A component of the fund balance deficit is an unreserved/undesignated fund balance deficit of $293.2 million. This deficit, excluding the Tax Stabilization Reserve Fund fund balance of $128 million, is $421.2 million. The funds in the Tax Stabilization Reserve Fund (which is included in the General Fund for financial reporting purposes) are available to counterbalance a downturn in the economy which results in significant unanticipated revenue shortfalls. The expenditure of such funds must be approved by the Governor and two-thirds of the members of both the Senate and the House of Representatives. No expenditures have been made from this fund since its inception in 1985.

The State Lottery Fund, a Special Revenue Fund, had a fund balance deficit of $626 thousand at June 30, 1990.

The Pennsylvania Infrastructure Investment Authority Redemption Fund, a Debt Service Fund, had a fund balance deficit of $59 at June 30, 1990, resulting from the recognition of a liability for accrued interest on bonds issued. Total Debt Service Funds reported reservations for long-term investments of $60,273, designations for debt service of $85,769 and a deficit unreserved/undesignated fund balance of $59, for a total combined fund balance of $145,983 at June 30, 1990 (amounts in thousands).

The Catastrophic Loss Benefits Continuation Fund, an Expendable Trust Fund, had a fund balance deficit of $22.1 million at June 30, 1990.

The Pennsylvania Infrastructure Investment Authority (PENNVEST), an Enterprise Fund, had an unreserved retained earnings deficit of $324 thousand at June 30, 1990, resulting from an unreserved retained earnings deficit at the beginning of the fiscal year of $1.8 million.

The Capital Facilities Fund, an individual fund included in the Capital Projects fund type, reported a deficit unreserved/undesignated fund balance of $283,365 at June 30, 1990. This deficit was primarily caused by a fund balance reservation for encumbrances of $314,283. In total, the individual Capital Facilities Fund reported a fund balance of $30,918 at June 30, 1990. Total Capital Projects Funds reported reservations for encumbrances and long-term investments of $314,804 and $89,169, respectively, designations for capital projects of $159,824 and a deficit unreserved/undesignated fund balance of $283,365, for a total combined fund balance of $280,432 at June 30, 1990 (amounts in thousands).

NOTES TO FINANCIAL STATEMENTS

NOTE D—DEPOSITS AND INVESTMENTS

Authority for Commonwealth deposits and investments: The deposit and investment policies of the Commonwealth's Treasury Department are governed by sections 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929, P.L. 343, No. 176, amended November 16, 1985). Commonwealth deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. Permissible investments include direct obligations of the U.S. Treasury and U.S. Government agencies with maturities not exceeding two years; commercial paper rated "Prime One" by Moody's Credit Service or the equivalent by Standard and Poor's or Fitch's Rating Service; certificates of deposit issued by Pennsylvania banks or savings and loan associations; repurchase agreements secured by U.S. Government obligations that are held by the Treasury Department at the Federal Reserve bank; banker's acceptances; and up to a maximum of 10 percent of the book value of a fund's assets in any investment (other than common stock) not otherwise specifically authorized. It is also permissible for the Treasury Department to participate in reverse repurchase agreements.

In some cases, deposit and investment policies of certain individual funds and component units are established by statutes other than the Fiscal Code; however, all deposits, investments and reverse repurchase agreements of Commonwealth component units are specifically authorized by law.

In accordance with applicable statutory authority, the State Employes' Retirement System and the Public School Employes' Retirement System, Pension Trust Funds, have invested in common and preferred stocks, corporate and foreign bonds and notes, mortgages and real estate during their fiscal years.

Deposits: The following summary presents the amount of Commonwealth deposits which are fully insured or collateralized with securities held by the Commonwealth or its agent in the Commonwealth's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Commonwealth's name (Category 2) and those deposits which are not collaterized or are collaterized by the pledging financial institution or the pledging institution's trust department or agent, but not in the Commonwealth's name (Category 3) at June 30, 1990 (expressed in thousands).

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash	$ 213,586	$ 63,828	$36,548	$ 313,962	$ 103,707
Cash with fiscal agents	1,755,490		47,557	1,803,047	1,803,047
Certificates of deposit and related items	221,664	72,306	28,655	322,625	322,625

The above-listed $322,625 in certificates of deposit and related items is reported as investments at June 30, 1990.

Investments: The Commonwealth categorizes investments according to the level of credit risk assumed by the Commonwealth. Category 1 includes investments that are insured, registered or held by the Commonwealth or the Commonwealth's agent in the Commonwealth's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Commonwealth's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the Commonwealth's name. Certain investments have not been categorized because securities are not used as evidence of the investment. These uncategorized investments include ownership interests in mutual funds and in mortgage, real estate and venture capital pools. The following summary identifies the level of credit risk assumed by the Commonwealth and the total carrying amount and market value of Commonwealth investments at June 30, 1990 (expressed in thousands).

NOTE D—Deposits and Investments (continued)

	Carrying Amount				Market Value
	Category 1	Category 2	Category 3	Total	
Commercial paper	$ 2,490	$ 722,443	$ 47,055	$ 771,988	$ 772,208
Common and preferred stock	7,216,637	. . . .	. . . .	7,216,637	8,165,207
Corporate bonds and notes	2,756,325	14,152	. . . .	2,770,477	2,761,464
International fixed income	529,416	. . . .	. . . .	529,416	532,962
Mortgage loans	2,610,755	. . . .	. . . .	2,610,755	2,609,779
Real estate	627,278	. . . .	. . . .	627,278	680,095
Repurchase agreements	980,357	537,520	64,239	1,582,116	1,582,116
U.S. Government obligations	2,744,604	636,853	262,859	3,644,316	3,687,336
U.S. Government agency obligations	4,816,069	76,996	. . . .	4,893,065	4,917,305
Other	788,064	. . . .	1,035,392	1,823,456	1,823,373
Totals	$23,071,995	$ 1,987,964	$ 1,409,545	$26,469,504	$27,531,845
Add invested amounts not susceptible to credit risk categorization:					
Investment pools in which State Employes' Retirement System participates at December 31, 1989:					
Mortgage loans				587,902	587,902
Mutual funds				2,835,089	2,835,089
Real estate				828,661	828,661
Venture capital				88,274	88,274
Venture capital pool and related items in which the Public School Employes' Retirement System participates at June 30, 1990				118,207	118,207
Investment agreement in which the Pennsylvania Higher Educational Facilities Authority participates at June 30, 1990				16,160	16,167
Mutual Fund in which the Pennsylvania Housing Finance Agency participates at June 30, 1990				23,344	23,344
Investment agreements in which the Pennsylvania Higher Education Assistance Agency participate at June 30, 1990				329,962	329,962
Total Investments				$31,297,103	$32,359,451

In addition to the above listed carrying amount of $31,297,103, there are $322,625 of certificates of deposit which are reported as investments at June 30, 1990 but which have been treated as deposits for a determination of the level of credit risk associated with the certificates. The total investments reported on the balance sheet of $31,619,728 is reported as follows (expressed in thousands):

Temporary investments	$ 6,785,064
Long-term investments	24,834,664
Total investments	$31,619,728

Included in the above-listed $1,035,392 of "other" investments included in Credit Risk Category 3 are $814,671 of investments owned by the State Employes' Retirement System, the Deferred Compensation Fund and the State Workmen's Insurance Fund, which report their investments at December 31, 1989 in the State Treasury pool.

The Pension Trust Funds own approximately 100 percent of the common and preferred stock, 90 percent of the corporate bonds and notes, 100 percent of mortgage loans and 100 percent of the real estate reported in the above summary. During the fiscal year ended June 30, 1990 the Treasury Department entered into reverse repurchase agreements, but none were outstanding at June 30, 1990. There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 1990.

NOTES TO FINANCIAL STATEMENTS

NOTE E—FIXED ASSETS

A summary of fixed assets by category at June 30, 1990 is as follows (expressed in thousands):

	Enterprise Funds	Internal Service Funds	Pension Trust Funds	General Fixed Assets Account Group	College and University Funds
Land	$ 58,978	$ 6	$	$ 209,026	$ 3,685
Buildings	54,909	2,595	. . . .	2,050,093	95,651
Improvements other than buildings	48,085	376	. . . .	152,017	13,519
Furniture, machinery and equipment	145,735	38,887	7,826	419,321	255,049
Turnpike infrastructure	1,123,339	. . . .	. . . .	. . . .	. . . .
Construction in progress	152,037	. . . .	. . . .	69,044	12,194
Total	$1,583,083	$ 41,864	$ 7,826	$ 2,899,501	$ 380,098

Changes in general fixed assets for the fiscal year ended June 30, 1990 are as follows (expressed in thousands):

	Balance July 1, 1989	Additions	Retirements	Balance June 30, 1990
Land	$ 205,711	$ 3,441	$ 126	$ 209,026
Buildings	2,009,350	56,441	15,698	2,050,093
Improvements other than buildings	146,731	5,352	66	152,017
Furniture, machinery and equipment	430,790	40,339	51,808	419,321
	2,792,582	105,573	67,698	2,830,457
Construction in progress	40,281	82,478	53,715	69,044
Totals	$2,832,863	$ 188,051	$ 121,413	$2,899,501

Interest costs of $1 million and $3 million were capitalized for the Enterprise Funds and general fixed assets, respectively, for the fiscal year ended June 30, 1990.

The Commonwealth's initial valuation of general fixed assets was made as of June 30, 1986 using appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986 general fixed asset acquisitions are valued at cost. At June 30, 1990 the amount of general fixed assets related to the initial valuation amounts to $2,106 million.

Construction in progress included in the General Fixed Assets Account Group at June 30, 1990 is composed of the following (expressed in thousands):

Project	Project Authorization	Expended Through June 30, 1990	Authorization Available
Capitol Complex Buildings	$ 46,422	$ 16,532	$ 29,890
Department of Corrections Institutions	75,299	12,069	63,230
Colleges and Universities	31,727	9,892	21,835
Department of Public Welfare Institutions	27,416	8,616	18,800
Other	47,271	21,935	25,336
Total	$ 228,135	$ 69,044	$ 159,091

NOTE F—DUE FROM OTHER GOVERNMENTS

This receivable represents amounts due primarily from the Federal Government for various departmental programs.

NOTES TO FINANCIAL STATEMENTS

NOTE G — TAXES, LOANS AND LEASE RENTAL RECEIVABLES

Taxes Receivable: Taxes receivable at June 30, 1990 consisted of the following (expressed in thousands):

	General Fund	Special Revenue Funds	Trust and Agency Funds	Total
Sales and use	$ 384,271	$	$	$ 384,271
Unemployment compensation	. . . .	. . . .	267,066	267,066
Personal income	131,400	. . . .	. . . .	131,400
Liquid fuels	. . . .	92,564	4,228	96,792
Corporation	56,839	. . . .	. . . .	56,839
Other	11,172	56,394	. . . .	67,566
	$ 583,682	$ 148,958	$ 271,294	$1,003,934

Loans Receivable: Loans receivable at June 30, 1990 consisted of the following (expressed in thousands):

	Special Revenue Funds	Enterprise Funds	College and University Funds	Total
Mortgage loan program	$	$1,546,081	$	$1,546,081
Business development loan program	11,923	537,438	. . . .	549,361
Student loan program	. . . .	973,400	24,008	997,408
Municipal water system loan program	60,166	147,972	. . . .	208,138
Nursing home loan program	34,115	. . . .	. . . .	34,115
Other loan programs	2,822	45,004	. . . .	47,826
	109,026	3,249,895	24,008	3,382,929
Less: Allowance for uncollectible accounts	2,502	93,217	3,667	99,386
Loans receivable, net	$ 106,524	$3,156,678	$ 20,341	$3,283,543

Lease Rentals Receivable: The Pennsylvania Higher Educational Facilities Authority and State Public School Building Authority finance construction projects for educational institutions through the issuance of bonds and other obligations, the principal and interest of which are paid through the collection of lease rental payments related to the projects. Also, the Capital Facilities Fund, a Capital Projects Fund, finances construction projects for educational institutions through the issuance of General Obligation Bonds, the principal and interest of which are paid through the collection of lease rental payments and deposited in their related debt service funds. The General State Authority, which no longer exists, formerly financed similar transactions. At the conclusion of the lease terms, the project facilities are conveyed to the educational institutions. Accordingly, these lease arrangements are classified as direct financing leases. Lease rental receivables and associated deferred revenue equal to the principal lease payments to be received are recorded in the Special Revenue and Debt Service Funds relating to these arrangements. The total minimum lease payments to be received was $2,761 million and the present value of the lease payments was $1,381 million at June 30, 1990, the difference representing interest of $1,380 million. Minimum lease payments for the five fiscal years succeeding June 30, 1990 are as follows (expressed in millions):

Fiscal Year Ending June 30	Amount
1991	$151
1992	147
1993	145
1994	146
1995	136

NOTE H—INTERFUND ACCOUNTS/OPERATING TRANSFERS/RESIDUAL EQUITY TRANSFERS

A summary of interfund receivables and payables reported on the combined balance sheet at June 30, 1990 is as follows (expressed in thousands):

FUND TYPE/FUND	DUE FROM	DUE TO
General	$ 25,983	$261,329
Special Revenue:		
Fish and Game Fund	1,732	1,276
Water Facilities Loan Fund	. . .	3,660
Hazardous Sites Clean-up Fund	26,711	357
Motor License Fund	34,398	15,382
Vocational Rehabilitation Fund	314	1,644
Energy Conservation and Assistance Fund	5,839	55
Other Funds	1,450	4,624
	70,444	26,998
Debt Service	438	1
Capital Projects:		
Capital Facilities Fund	145	30,950
Other Funds	20	110
	165	31,060
Enterprise:		
State Stores Fund	. . . .	15,969
Pennsylvania Infrastructure Investment Authority	9,367	58
Other Funds	862	4,452
	10,229	20,479
Internal Service:		
Purchasing Fund	9,023	7,831
Manufacturing Fund	1,703	181
	10,726	8,012
Expendable Trust:		
Unemployment Compensation Fund	1,264	. . . .
Other Funds	1	51
	1,265	51
Pension Trust:		
State Employes' Retirement System	97,751	84
Public School Employes' Retirement System	135,567	511
	233,318	595
Agency	510	720
College and University	71,491	82,043
TOTAL	$424,569	$431,288

NOTE H—Interfund Accounts/Operating Transfers/Residual Equity Transfers (continued)

The amount of total interfund receivables of $424,569 does not agree with total interfund payables of $431,288 at June 30, 1990 due to different fiscal year ends for certain funds included in the combined balance sheet at June 30, 1990. The amounts shown as interfund accounts for the State Employes' Retirement System, a Pension Trust Fund, and the Deferred Compensation Fund, an Agency Fund, are as of their fiscal year end of December 31, 1989. The amounts shown for the State Workmen's Insurance Fund and the Pennsylvania Turnpike Commission, Enterprise Funds, are as of their respective fiscal year ends of December 31, 1989 and May 31, 1990. The following presents a reconciliation of interfund accounts reported at June 30, 1990 (expressed in thousands) and those amounts which would have been reported if all funds used the same fiscal year end:

Due from other funds - combined balance sheet at June 30, 1990	$424,569
State Workmen's Insurance Fund decrease in receivables from January 1, 1990 through June 30, 1990	(128)
State Employes' Retirement System increase in receivables from January 1, 1990 through June 30, 1990	8,503
DUE FROM OTHER FUNDS	$432,944
Due to other funds - combined balance sheet at June 30, 1990	$431,288
Deferred Compensation Fund decrease in payables from January 1, 1990 through June 30, 1990	(161)
State Employes' Retirement System increase in payables from January 1, 1990 through June 30, 1990	147
State Workmen's Insurance Fund increase in payables from January 1, 1990 through June 30, 1990	225
Pennsylvania Turnpike Commission increase in payables from June 1, 1990 through June 30, 1990	1,445
DUE TO OTHER FUNDS	$432,944

NOTE H—Interfund Accounts/Operating Transfers/Residual Equity Transfers (continued)

A summary of operating transfers reported for the fiscal year ended June 30, 1990 is as follows (expressed in thousands):

FUND TYPE/FUND	OPERATING TRANSFERS IN	OPERATING TRANSFERS OUT
General	$351,220	$1,016,738
Special Revenue:		
State Lottery Fund	. . . .	206,982
Motor License Fund	142,601	474,690
State Public School Building Authority	1,776	53,037
Pharmaceutical Assistance Fund	188,000	. . . .
Vocational Rehabilitation Fund	20,012	. . . .
Pennsylvania Economic Revitalization Fund	34,600	2,910
Pennsylvania Higher Educational Facilities Authority	84,966	233,111
Hazardous Sites Clean Up Fund	15,926	. . . .
Other Funds	6,910	13,378
	494,791	984,108
Debt Service:		
Land and Water Development Sinking Fund	37,534	. . . .
Water Facilities Loan Redemption Fund	15,171	. . . .
Capital Debt Fund	604,084	. . . .
Pennsylvania Higher Educational Facilities Authority	299,585	72,844
State Public School Building Authority	53,502	920
Disaster Relief Redemption Fund	12,407	. . . .
State Highway and Bridge Authority Sinking Fund	18,026	. . . .
Other Funds	24,143	13
	1,064,452	73,777
Capital Projects:		
Capital Facilities Fund	. . . .	138,425
Pennsylvania Higher Educational Facilities Authority	6,347	85,165
State Public School Building Authority	578	1,477
Land and Water Development Fund	. . . .	198
	6,925	225,265
Enterprise Funds:		
State Workmen's Insurance Fund	. . . .	110,000
State Stores Fund	. . . .	41,250
Pennsylvania Higher Education Assistance Agency	170,156	. . . .
Pennsylvania Housing Finance Agency	10,000	. . . .
	180,156	151,250
Expendable Trust:		
Unemployment Compensation Fund	. . . .	11,700
Other Funds	13	. . . .
	13	11,700
Pension Trust:		
State Employes' Retirement System	12,068	1,135
Public School Employes' Retirement System	211	2,777
	12,279	3,912
College and University	345,281	. . . .
TOTAL	$2,455,117	$2,466,750

NOTE H—Interfund Accounts/Operating Transfers/Residual Equity Transfers (continued)

The amount of total operating transfers in of $2,455,117 does not agree with total operating transfers out of $2,466,750 for the fiscal year ended June 30, 1990 due to different fiscal year ends for certain funds included in the financial reporting entity. The amounts shown as operating transfers for the State Employes' Retirement System, a Pension Trust Fund, and the State Workmen's Insurance Fund, an Enterprise Fund, are for their fiscal year end of December 31, 1989. The following presents a reconciliation of operating transfers reported in the financial statements to those transfer amounts which would have been reported if all funds used the same fiscal year end (expressed in thousands):

Total operating transfers in - all funds	$2,455,117
State Employes' Retirement System decrease in operating transfers in from the period January 1, 1990 through June 30, 1990	(9,291)
TOTAL OPERATING TRANSFERS IN	$2,445,826
Total operating transfers out - all funds	$2,466,750
State Workmen's Insurance Fund decrease in operating transfers out from the period January 1, 1990 to June 30, 1990	(20,000)
State Employes' Retirement System decrease in operating transfers out from the period January 1, 1990 to June 30, 1990	(924)
TOTAL OPERATING TRANSFERS OUT	$2,445,826

The Enterprise Funds received $88 million in residual equity transfers from governmental funds and $25 million in general obligation bond proceeds that were reported as contributed capital for the fiscal year ended June 30, 1990. The State Workmen's Insurance Fund (SWIF), an Enterprise Fund, reported a residual equity transfer of $25 million to the Sunny Day Fund, an Enterprise Fund, during SWIF's fiscal year ended December 31, 1989. The Sunny Day Fund reported the $25 million residual equity transfer as an increase in contributed capital during the fiscal year ended June 30, 1989.

NOTES TO FINANCIAL STATEMENTS

NOTE I—PENSION SYSTEMS AND OBLIGATIONS

The Commonwealth has contributory defined benefit pension plans covering substantially all state employes, public school employes and employes of certain other state-related organizations. State employes and employes of state-related organizations are members of the State Employes' Retirement System (SERS). Public school employes are members of the Public School Employes' Retirement System (PSERS).

The SERS follows the accounting and reporting requirements of the Financial Accounting Standards Board's (FASB) Statement 35 and the PSERS follows the National Council on Governmental Accounting's Statement 1. Both the SERS and the PSERS currently follow the disclosure requirements of the Governmental Accounting Standards Board's (GASB) Statement 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers". FASB Statement 35 provides authoritative guidance on accounting and financial reporting for defined benefit public employe retirement systems and GASB Statement 5 provides disclosure guidance. The following summaries present disclosure requirements for both the SERS and the PSERS for their fiscal years ended December 31, 1989 and June 30, 1990, respectively.

Since the SERS reports under the provisions of FASB Statement 35, a statement of changes in financial position is not presented for the SERS. Also, a statement of changes in net assets available for benefits has not been presented separately. Financial information which would have been presented in such statement is included in the Combined Statement of Revenues, Expenses and Changes in Fund Balances for Pension Trust Funds.

STATE EMPLOYES' RETIREMENT SYSTEM

Plan Description: The SERS is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Pennsylvania (Commonwealth) to provide pension benefits for employes of state government and certain independent agencies. At December 31, 1989 there were 112 participating state and independent agencies. For the year ended December 31, 1989 the SERS covered payroll was $2,998 million. For the same period, the covered payroll for agencies included in the Commonwealth's financial reporting entity was $2,633 million, or 94 percent of total payroll of $2,812 million for the Commonwealth's financial reporting entity.

Membership in the SERS is mandatory for most state employes, members and employes of the legislature and certain elected persons in the executive branch. Certain other employes are not required but are given the option to participate. At December 31, 1989 the SERS membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employes entitled to benefits but not yet receiving benefits	76,166
Current employes:	
Vested	67,485
Nonvested	42,334
Total members	185,985

The SERS provides retirement, death, and disability benefits. Retirement benefits vest after 10 years of credited service. Employes who retire at age 60 or, if under age 60 with 35 years of service, are entitled to an unreduced annual retirement benefit. Members of the legislature and certain law enforcement officers can retire with full benefits at age 50.

The general annual benefit is 2 percent of the member's high-three year average salary times years of service. Members of the legislature who were members of the SERS before March 1, 1974 are entitled to a benefit of 7.5 percent of average salary for each year of legislative service. Judges who were members of the SERS before March 1, 1974 are entitled to a benefit of 3 to 4 percent of average salary for each year of judicial service.

Covered employes are required by statute to contribute to the SERS at a rate of 5 percent of their gross pay except for employes hired on or after July 22, 1983 who contribute at a rate of 6.25 percent of their gross pay. Increased contributions are required of the previously noted legislators and judges (18.75 percent and 7.5 to 10 percent of gross pay, respectively) who are entitled to increased benefits. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4 percent per annum, as mandated by statute. Accumulated employe contributions and credited interest, which amounted to $1,726 million as of December 31, 1989, vest immediately and are returned upon termination of service if the employe is not eligible for other benefits.

NOTE I—Pension Systems and Obligations (continued)

Participating agency contributions are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the SERS with assets sufficient to meet the benefits to be paid to SERS members. According to the retirement code, all obligations of the SERS will be assumed by the Commonwealth should the SERS terminate.

At December 31, 1989 the SERS owned 23,679,726 units of the Wells Fargo Bank Equity Index Fund and 35,775,873 units of the Wells Fargo Asset Allocation Fund, with respective carrying amounts of $1,630 million and $700 million. The Equity Index Fund represents 17 percent and the Asset Allocation Fund represents 7.3 percent of SERS assets at December 31, 1989. The SERS owned no securities issued by the Commonwealth or related parties and made no loans to the Commonwealth or related parties during the year ended December 31, 1989.

Funding Status and Progress: The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employe service to date. The measure is the actuarial present value of credited projected benefits and is intended, on an ongoing basis, to facilitate the assessment of the SERS funding status and progress made in accumulating sufficient assets to pay benefits when due and to allow for appropriate comparison of this data among public employe retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the SERS as discussed below.

The pension benefit obligation was determined as part of an actuarial valuation at December 31, 1989. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.75 percent per year compounded annually, (b) projected salary increases of 4 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 1.6 percent per year, attributable to merit/promotion, and (d) no postretirement benefit increases.

Net assets in excess of the pension benefit obligation at December 31, 1989 totalled $1 billion as calculated below (expressed in thousands):

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving benefits	$3,474,269
Current employes:	
Accumulated member contributions with interest	1,725,724
Employer-financed, vested	3,277,541
Employer-financed, nonvested	303,984
Total pension benefit obligation	8,781,518
Net assets available for benefits (at market value)	9,784,574
Net assets in excess of pension benefit obligation	$1,003,056

Contributions: The SERS funding policy provides for periodic member contributions at statutory rates and employer contributions at actuarially determined rates (expressed as a percentage of annual gross pay) that are sufficient to accumulate assets to pay benefits when due. All required 1989 contributions were made.

NOTE I—Pension Systems and Obligations (continued)

Employer contribution rates are determined using the entry age normal actuarial cost method, with amortization of the unfunded actuarial liability ($1,585 million) and of the supplemental annuities arising from cost of living and other adjustments over varying periods ending June 30, 2004. These rates are computed on a Commonwealth fiscal year basis such that employer contribution rates in effect for the SERS for 1989 reflect a blended average of those in effect through June 30, 1989 and subsequent to that date, as calculated based upon actuarial valuations prepared as of December 31, 1987 and December 31, 1988, respectively. The actuarially determined contribution requirement for the year ended December 31, 1989 consisted of (amounts in thousands):

	% of Current Covered Payroll	Amount
Employer normal cost	4.71	$141,209
Amortization of unfunded actuarial liability	6.45	193,376
Amortization of supplemental annuities	1.91	57,263
Total contribution requirement	13.07	$391,848

Member contributions amounted to $165 million, or 5.5 percent and employer contributions amounted to $417 million, or 13.9 percent, of total actual covered payroll of $2,998 million, for the year ended December 31, 1989. Total employer contributions of $417 million exceeded the above actuarially determined contribution requirement of $392 million due to employer contributions related to employe purchases of prior service cost and employer contributions related to the transfer of prior employe service from the Public School Employes' Retirement System to the SERS. Employer contributions amounted to $399 million for the fiscal year ended June 30, 1990, of which $358 million relates to agencies included in the Commonwealth's financial reporting entity. The Commonwealth employer contributions of $358 million approximate 90 percent of total employer contributions of $399 million.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation as described above, except for an assumed rate of return on investments of 5.5 percent per annum and certain revisions to salary increase assumptions.

THREE-YEAR HISTORICAL TREND INFORMATION

	Year Ended December 31		
	1987	1988	1989
Net assets available for benefits as a percentage of the pension benefit obligation applicable to covered employes	99.8%	100.7%	111.4%
Unfunded (assets in excess of) pension benefit obligation as a percentage of the SERS's annual covered payroll	.6	(2.0)	(33.5)
Employer contributions to the pension plan as a percentage of annual covered payroll	13.8	13.8	13.9

All required contributions were made, in accordance with actuarially determined requirements, for each of the three years ended December 31, 1987, 1988 and 1989.

Ten-year historical trend information is available in separate financial reports issued by the SERS. These separately issued reports include information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE I—Pension Systems and Obligations (continued)

The following information is presented in accordance with the reporting requirements of FASB Statement 35.

The calculation of actuarial liabilities under GASB Statement 5 (the pension benefit obligation presented above) differs principally by the consideration of future salary increases from the calculation required under FASB Statement 35 of the actuarial present value of accumulated plan benefits presented below.

The accumulated plan benefit information as of December 31, 1989 is as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits:	
Vested benefits:	
Participants currently receiving payments	$4,322,357
Other participants	3,805,152
	8,127,509
Nonvested benefits	140,921
Total	$8,268,430

Changes in accumulated plan benefits as of December 31, 1989 are as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits at December 31, 1988	$7,449,948
Changes during the year attributable to:	
Passage of time	402,482
Plan provision changes	20,000
Change in interest rate from 7.75% in 1988 to 7.25% in 1989	396,000
Net increase	818,482
Actuarial present value of accumulated plan benefits at December 31, 1989	$8,268,430

The significant actuarial assumptions used in the valuations of the actuarial present value of accumulated plan benefits as of December 31, 1989 are as follows:

Mortality	
Superannuation (normal retirement) and early retirement	The 1971 Group Annuity Mortality Table
Disability	Modifications of the 1965 Railroad Retirement Board Mortality among Totally Disabled Annuitants
Assumed rate of return on investments	7.25%

PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM

Plan Description: The Commonwealth of Pennsylvania Public School Employes' Retirement System (System) was established July 18, 1917 under the provision of P.L. 1043, No. 343. The System is a cost-sharing multiple-employer plan and its designated purpose is to provide retirement allowances and other benefits, including disability and death benefits, to members. As defined by GASB Statement 5, the Commonwealth is a non-employer contributor to the System.

Membership in the System is mandatory for substantially all full-time public school employes in the Commonwealth. At June 30, 1990 there were 633 reporting units, generally school districts, and membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employes entitled to benefits but not yet receiving benefits	126,000
Current employes:	
Vested	126,000
Nonvested	74,000
Total members	326,000

NOTE I—Pension Systems and Obligations (continued)

During the fiscal year ended June 30, 1989, the most recent year for which actual amounts are available, the covered payroll for public school employes was $5,056 million. Total payroll for public school employes was substantially the same.

Benefit provisions are established under Act 96 of 1975. After completion of ten years of service, a member's rights to the defined benefit is vested and early retirement benefits may be elected. Members are eligible for full monthly retirement benefits upon reaching (a) age 62; (b) age 60 and 30 or more years of service; or (c) 35 or more years of service. Act 91, enacted for a period of one year from July 1, 1986 to June 30, 1987 (and extended through September 30, 1991 by Act 69 and Act 112), permits school employes with at least 30 years of credited service to retire without a reduction in benefits. This law does not require a minimum age in conjunction with length of service to be eligible for full benefits. During the fiscal year ended June 30, 1990 there were no changes in benefit provisions.

Funding Status and Progress: The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employe service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employe retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1989, the most recent actuarial report. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 5.50 percent per year compounded annually, (b) projected salary increases ranging from 6.99 percent per year at age 25 to 1.89 percent per year at age 69, and (c) no postretirement benefit increases. The actuarial valuation does not include separate projected salary increases related to either inflation or seniority/merit increases.

At June 30, 1989 the unfunded pension benefit obligation was $5,602 million as follows (expressed in thousands):

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving benefits	$ 6,826,150
Current members:	
Accumulated member contributions with interest	3,039,030
System-financed vested	5,708,443
System-financed nonvested	4,027,801
Total pension benefit obligation	19,601,424
Net assets available for benefits, at cost (market value is $16,897,787)	13,999,254
Unfunded pension benefit obligation	$ 5,602,170

Ten-year historical trend information is available in separate financial reports issued by the System. These separately issued reports include information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE I—Pension Systems and Obligations (continued)

Contributions: The contribution policy is set by Act 96 and requires contributions by active members, employers and the Commonwealth. The rate of contribution for most active members is set by statute at 5.25 percent of the member's compensation. For members joining the system on or after July 22, 1983 the rate of contribution is 6.25 percent. The contributions required of employers and the Commonwealth are based upon an actuarial valuation, using the "entry age normal" method, computed as a percentage of the total compensation of all active members during the period for which the amount is determined. The combined amounts required from the employers and Commonwealth were 19.68 percent of active member payroll for the year ended June 30, 1989 and consisted of (amounts in thousands):

	% of Current Covered Payroll	Amount
Employer normal cost	8.44	$ 465,936
Amortization of unfunded actuarial accrued liability	7.42	409,626
Amortization of supplemental annuities	3.82	210,885
Total contribution requirement	19.68	$1,086,447

The employer and the Commonwealth equally share the cost of required contributions and all required contributions were made. For the fiscal year ended June 30, 1990 Commonwealth school districts contributed $545 million and the Commonwealth contributed $541 million to the System. The difference between these two amounts results from timing differences in cash payments to the System. The Commonwealth contribution approximates 9.9 percent of current covered payroll. Employe contributions of $288 million approximate 5.7 percent of covered payroll of $5,056 million for the year ended June 30, 1989, the most recent year for which actual amounts are available. At June 30, 1989 the unfunded actuarial liability is $7,208 million and the average funding period to amortize this liability is 17.2 years.

For the actuarial valuation at June 30, 1989 there were no changes in the actuarial funding method or other significant factors in calculating employe contributions. The employer contribution requirement has been affected by (a) an extension of the current early retirement window program from June 30, 1989 to September 30, 1991 and (b) an additional monthly supplemental annuity (a cost of living adjustment) commencing in January 1989 for certain benefit recipients. There were no changes in actuarial assumptions which affected the pension benefit obligation or the unfunded actuarial liability at June 30, 1989.

During the fiscal year ended June 30, 1990 the System owned no securities issued by school districts, the Commonwealth or any related parties and made no loans to school districts, the Commonwealth or any related party.

Postretirement Health Care Benefits: In addition to providing pension benefits, the Commonwealth provides certain health care benefits for retired employes that meet specified length-of-service and age requirements. These benefits are provided through insurance companies whose premiums are based on the benefits paid during the fiscal year. The Commonwealth recognizes the cost of providing these benefits as paid, which totalled $88.4 million for the fiscal year ended June 30, 1990.

NOTE J—NOTES AND DEMAND REVENUE BONDS PAYABLE

The Pennsylvania Housing Finance Agency (PHFA), an Enterprise Fund, maintains a line of credit agreement with the Pennsylvania Treasury Department. Under the agreement, PHFA may borrow up to $20 million. At the time funds are drawn, interest rates are fixed at 2 points below the current prime rate as listed by Morgan Guaranty Bank of New York. These funds may be used for any and all purposes for which PHFA is lawfully established. As of June 30, 1990 PHFA had notes payable of $18 million bearing interest rates ranging from 8 to 9.5 percent for 1990.

The Pennsylvania Higher Education Assistance Agency (PHEAA), an Enterprise Fund, has $435 million of demand revenue bonds outstanding and $349.4 million of notes payable at June 30, 1990. Demand revenue bonds at June 30, 1990 consist of the following (expressed in thousands):

	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series D	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series B	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series A	Student Loan Adjustable Rate Tender Revenue Bonds - 1986 Series A	Student Loan Revenue Bonds 1984 Series A
Amount issued	$75,000	$110,000	$100,000	$50,000	$100,000
Date of issue	12/23/88	7/29/88	1/28/88	12/15/86	7/19/84
Interest rate	6.2%	5.875%	5.875%	6.875%	5.65%
Due date	1/1/19	7/1/18	1/1/18	10/1/16	12/1/00
Letter of credit:					
Principal amount	$81,562	$119,625	$106,904	$53,500	$103,082
Expiration date	12/31/93	7/31/93	1/31/93	12/31/91	12/15/00

The 1988 bonds bear interest at an adjustable rate determined by PHEAA's remarketing agent based upon prevailing market conditions and is reset weekly. The 1986 bonds bear interest at an adjustable rate determined by PHEAA and its remarketing agent. The 1984 bonds bear interest at a fluctuating rate based on the remarketing rate of the J.J. Kenny Index and is also reset weekly. All bonds are subject to purchase, at par plus accrued interest, by PHEAA on the demand of the bondholders upon seven days prior irrevocable written notice. None of the letters of credit pertaining to PHEAA's demand revenue bonds have been used as of June 30, 1990.

Notes payable for PHEAA at June 30,1990 consist of the following (expressed in thousands):

Dauphin County General Authority Revenue Bond. Interest is a weighted average rate of 6.8%. Interest is paid semi-annually on March 1 and September 1. Principal is due through 2009	$ 10,115
Amount due under revolving credit agreement dated March 15, 1990 through February 15, 1991. Interest rate at June 30, 1990 was 8.5625%. Principal not to exceed $50 million. Secured by student loans	20,721
Note payable, interest at London Interbank offered rate plus .23% (8.5425% at June 30, 1990), security interest in student loans equal to the outstanding principal, due September 30, 1990	193,585
Note Purchase agreement dated as of May 1, 1990 through May 1, 1992. Interest is the 13 week Treasury bill rate plus .20% (8.25% at June 30, 1990). Secured by investments and student loans	125,000
Total	$ 349,421

NOTE J—Notes and Demand Revenue Bonds Payable (continued)

During the fiscal year ended June 30, 1990 the Commonwealth issued $550 million of tax anticipation notes and $405 million in commercial paper which matured on June 30, 1990. The $36.5 million of interest related to the notes and commercial paper is shown as a debt service expenditure in the General Fund.

The State System of Higher Education, College and University Funds, has $3.1 million of notes payable as of June 30, 1990 that are collateralized by an equivalent amount of equipment. The notes bear interest at rates ranging from 5 percent to 7.5 percent and mature in varying amounts through 1997. The scheduled principal payments for the notes outstanding at June 30, 1990 follow (expressed in thousands):

1991	$ 395
1992	400
1993	325
1994	361
Thereafter	1,650
Total	$3,131

NOTES TO FINANCIAL STATEMENTS

NOTE K—LONG-TERM OBLIGATIONS

Long-term obligations of the Commonwealth at June 30, 1990 (May 31, 1990 for the Pennsylvania Turnpike Commission) and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 1989	Additions	Reductions	Balance June 30, 1990
ENTERPRISE FUNDS								
Revenue Bonds Payable From User Charges:								
Pennsylvania Higher Education Assistance Agency	1985-90	6.15- 8.35%	2020	$	$ 313,000	$ 100,000	$	$ 413,000
Pennsylvania Housing Finance Agency	1976-90	3.60-14.50%	2028	. . . .	1,877,526	358,090	310,928	1,924,688
Pennsylvania Industrial Development Authority	1975-84	4.90-12.50%	2004	. . . .	103,260	. . . .	8,900	94,360
Pennsylvania Turnpike Commission	1986-89	5.50- 7.87%	2019	. . . .	1,069,180	120,000	123,940	1,065,240
				. . . .	3,362,966	578,090	443,768	3,497,288
Less: Bond discounts				. . . .	111,796	3,914	4,878	110,832
TOTAL ENTERPRISE FUNDS				$	$3,251,170	$ 574,176	$ 438,890	$3,386,456
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP								
General Obligation Bonds Payable From Tax Revenues:								
Capital Facilities	1968-90	4.15-10.75%	2010	$9,398,356	$3,677,575	$ 334,000	$ 330,915	$3,680,660
Disaster Relief	1973-89	4.91- 8.56%	2009	21,908	96,915	. . . .	7,030	89,885
Land and Water Development	1969-90	5.13-10.75%	2010	17,300	281,800	1,000	21,030	261,770
Nursing Home Loan Development	1975-86	5.30- 8.89%	2006	31,000	40,790	. . . .	3,910	36,880
Project 70 Land Acquisition	1970	6.26%	2000	. . . .	6,175	. . . .	390	5,785
Volunteer Companies Loan	1977-83	5.32-10.75%	2002	. . . .	16,245	. . . .	1,350	14,895
Vietnam Conflict Veterans Compensation	1969-74	5.36- 6.11%	2003	3,000	35,415	. . . .	2,495	32,920
Water Facilities Loan	1983-90	6.91- 9.83%	2010	164,000	104,150	2,000	6,945	99,205
Pennsylvania Economic Revitalization	1984-85	7.69- 8.86%	2004	117,000	39,510	. . . .	7,930	31,580
State Highway and Bridge Authority	1968	2.75- 4.60%	1991	. . . .	36,665	. . . .	17,530	19,135
Pennsylvania Infrastructure Investment Authority	1988-90	6.74- 7.07%	2010	250,000	25,000	25,000	1,250	48,750
Agricultural Conservation Easement Purchase	. . . .	. . . .	. . . .	100,000	. . . .	. . . .	. . . .	. . . .
Refunding Bonds	1985-88	6.70- 7.85%	2003	. . . .	344,962	. . . .	32,920	312,042
				10,102,564	4,705,202	362,000	433,695	4,633,507
Bonds Payable From Lease Rentals:								
Pennsylvania Higher Educational Facilities Authority	1969-90	5.50- 9.00%	2025	. . . .	1,119,860	359,980	141,325	1,338,515
State Public School Building Authority	1986-90	5.58- 8.91%	2024	. . . .	273,381	19,810	36,691	256,500
				. . . .	1,393,241	379,790	178,016	1,595,015
Other General Long-Term Obligations Payable From Tax Revenues:								
Capital Lease and Installment Purchase Obligations				. . . .	178,812	14,188	61,085	131,915
Self-Insurance — Note O				. . . .	470,428	99,030	64,467	504,991
Single Excise Tax Refunds				. . . .	627,000	. . . .	627,000	. . . .
Compensated Absences				. . . .	246,458	206,522	201,977	251,003
Catastrophic Motor Vehicle Losses				. . . .	320,977	153	16,830	304,300
Other				. . . .	534,983	455,505	445,086	545,402
				. . . .	2,378,658	775,398	1,416,445	1,737,611
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP				$10,102,564	$8,477,101	$1,517,188	$2,028,156	$7,966,133

NOTE K—Long-Term Obligations (continued)

The Pennsylvania Housing Finance Agency (PHFA), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Pennsylvania Industrial Development Authority, and the Pennsylvania Turnpike Commission (PTC), Enterprise Funds, have pledged all of their revenues for the redemption of revenue bonds outstanding. Revenue bonds outstanding as reported in this note disclosure for the fiscal year ended June 30, 1990 (May 31, 1990 for the PTC) include bond discounts of $110.8 million.

On September 26, 1985, PHEAA issued Student Loan Adjustable Rate Tender Revenue Bonds, 1985 Series A (1985 Bonds) in the amount of $202 million. The 1985 Bonds bear interest at a rate of 6.375 percent through June 1, 1991. After that date, the bonds will bear interest at an adjustable rate as determined by PHEAA and its remarketing agent based upon prevailing market conditions, and are subject to purchase at par plus accrued interest, by PHEAA on the demand of the bondholders upon seven days prior irrevocable written notice. In connection with the 1985 Bonds, PHEAA has entered into a Standby Bond Purchase Agreement whereby a financial institution has agreed to purchase bonds tendered to the extent that they have not been resold as of June 1, 1991. On July 29, 1988 and December 30, 1988 PHEAA issued Student Loan Adjustable Rate Tender Revenue Bonds, 1988 Series C and E in the amounts of $75 million and $36 million, respectively. Interest on the 1988 Series C and E bonds is set by the remarketing agent weekly and was 7.812 percent for each issue at June 30, 1990. The Series C and E bonds are private placements in which the holder may terminate its agreement to hold the bonds as of August 1, 1998 and January 1, 1999, respectively. PHEAA may call a mandatory tender each year, on any date from August 1 to November 1 for Series C, and from January 1 to April 1 of each alternating calendar year for Series E. If the bonds are tendered before maturity date, they will be remarketed by the remarketing agent.

The Commonwealth has pledged its full faith and credit for the payment of principal and interest on general obligation bonds accounted for in the General Long-Term Obligations Account Group.

The Pennsylvania Higher Educational Facilities Authority and the State Public School Building Authority have bonds outstanding, reported as General Long-Term Obligations, as of June 30, 1990, which are payable from the lease rentals of the projects financed. The lease rentals are pledged as collateral for the bonds outstanding.

The Commonwealth of Pennsylvania by enactment of the General Assembly created the Pennsylvania Energy Development Authority (PEDA) to finance projects related to energy conservation and research. Fees are assessed to recover related processing and application costs incurred. The bonds issued by the Authority represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers from the trustee to the entity served by the bond issuance. The PEDA has $166.7 million in revenue bonds outstanding at June 30, 1990. The Commonwealth has no obligation for this debt. Accordingly, neither the financed assets nor the bonds are included in the accompanying financial statements.

The Commonwealth uses fiscal agents to process payments for the servicing of the majority of its bond issues. Additional cash with fiscal agents is held by the Federal Government for unemployment compensation claims.

Included in "Other" for Other General Long-Term Obligations payable from tax revenues are the following (expressed in thousands):

Litigation — Note P	$128,232
Public Utility Realty Tax Act (PURTA)	113,188
Workmen's Compensation Security Trust Claims	303,982
	$545,402

The PURTA provides for a tax on utility realty property which is available for appropriation as a general revenue source. The Act also provides for payment of a tax distribution to local taxing authorities. The Workmen's Compensation Security Trust Fund provides for payment of valid claims under the Workmen's Compensation Law to individuals whose employments are insured by insolvent insurance carriers. Amounts included in the General Long-Term Obligations Account Group at June 30, 1990 relating to the PURTA, Workmen's Compensation Claims and Litigation are not payable with currently expendable available financial resources.

The constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was $23.1 billion as of August 31, 1990, with net debt outstanding of $3.9 billion.

NOTE K —Long-Term Obligations (continued)

The following table presents annual principal and interest payments for long-term debt outstanding at June 30, 1990 (May 31, 1990 for the Pennsylvania Turnpike Commission) (expressed in thousands):

	1991	1992	1993	1994	1995	1996 Through Maturity	Total
ENTERPRISE FUNDS							
Revenue Bonds:							
Pennsylvania Higher Education Assistance Agency	$ 28,711	$ 28,711	$ 28,711	$ 28,711	$ 28,711	$ 831,842	$ 975,397
Pennsylvania Housing Finance Agency	178,479	178,906	180,562	180,423	181,069	4,057,289	4,956,728
Pennsylvania Industrial Development Authority	17,475	14,555	12,219	12,345	12,262	98,525	167,381
Pennsylvania Turnpike Commission	134,035	190,054	73,126	73,505	73,348	1,754,897	2,298,965
Total Principal and Interest	358,700	412,226	294,618	294,984	295,390	6,742,553	8,398,471
Less: Interest Payments	260,951	250,538	247,154	243,210	240,475	3,658,855	4,901,183
TOTAL ENTERPRISE FUNDS	$ 97,749	$ 161,688	$ 47,464	$ 51,774	$ 54,915	$3,083,698	$3,497,288
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP							
General Obligation Bonds:							
Capital Facilities	$ 567,095	$ 575,950	$ 529,824	$ 464,410	$ 444,068	$2,639,044	$5,220,391
Disaster Relief	10,675	10,657	10,634	10,597	10,570	71,041	124,174
Land and Water Development	36,361	36,157	35,419	35,272	35,128	179,933	358,270
Nursing Home Loan Development	6,376	6,319	6,270	6,218	6,166	17,308	48,657
Project 70 Land Acquisition	763	770	770	769	775	3,905	7,752
Volunteer Companies Loan	2,509	2,436	2,366	2,292	2,220	9,399	21,222
Vietnam Conflict Veterans Compensation	4,558	4,560	4,559	4,562	4,567	20,851	43,657
Water Facilities Loan	14,930	14,410	13,876	13,328	13,124	95,956	165,624
Pennsylvania Economic Revitalization	8,430	7,983	7,169	4,653	3,974	8,288	40,497
State Highway and Bridge Authority	12,631	7,061	—	—	—	—	19,692
Pennsylvania Infrastructure Investment Authority	5,737	5,576	5,415	5,254	5,092	55,084	82,158
Refunding Bonds	58,686	55,869	52,836	44,544	38,193	178,657	428,785
Total Principal and Interest	728,751	727,748	669,138	591,899	563,877	3,279,466	6,560,879
Less: Interest Payments	285,836	254,583	226,828	197,809	176,012	786,304	1,927,372
	442,915	473,165	442,310	394,090	387,865	2,493,162	4,633,507
Other Bonds:							
Pennsylvania Higher Educational Facilities Authority	112,507	109,884	108,953	111,740	105,248	1,907,696	2,456,028
State Public School Building Authority	42,726	41,282	39,612	37,684	34,278	205,294	400,876
Total Principal and Interest	155,233	151,166	148,565	149,424	139,526	2,112,990	2,856,904
Less: Interest Payments	95,684	91,538	87,644	83,687	79,529	823,807	1,261,889
	59,549	59,628	60,921	65,737	59,997	1,289,183	1,595,015
TOTAL GENERAL OBLIGATION AND OTHER BONDS	502,464	532,793	503,231	459,827	447,862	3,782,345	6,228,522
Other General Long-Term Obligations	190,348	72,287	69,688	66,601	65,952	1,272,735	1,737,611
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP	$ 692,812	$ 605,080	$ 572,919	$ 526,428	$ 513,814	$5,055,080	$7,966,133

NOTE K—Long-Term Obligations (continued)

The Commonwealth has entered into agreements to lease various facilities and equipment. Such agreements are in substance purchases (capital leases) and are reported as Other General Long-Term Obligations and Capital Lease Obligations for the College and University Funds.

The following is a schedule by fiscal year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 1990 (expressed in thousands):

	General Long-Term Obligations	College and University Funds
Fiscal year ending June 30:		
1991	$ 8,076	$ 15,298
1992	7,574	13,906
1993	7,293	13,683
1994	6,973	16,710
1995	6,914	9,733
Later years	133,286	112,359
Total minimum lease payments	170,116	181,689
Less: amount representing estimated executory costs included in total minimum lease payments	21,063	
Net minimum lease payments	149,053	181,689
Less: amount representing interest	83,603	77,609
Present value of net minimum lease payments	65,450	104,080
Installment purchase obligations	66,465	
TOTAL CAPITAL LEASE AND INSTALLMENT PURCHASE OBLIGATIONS	$131,915	$104,080

At June 30, 1990 general fixed assets included $96.8 million of buildings and $16.5 million of equipment being procured by capital leases.

Capital lease obligations outstanding as of June 30, 1990 for the College and University Funds relate to various capital projects currently under construction for which a related public financing authority is the lessor. Revenue bonds were issued by the public financing authority to provide funding for these capital projects. College and University Funds fixed assets include $12.2 million of construction in progress related to capital leases at June 30, 1990.

NOTES TO FINANCIAL STATEMENTS

NOTE L—REFUNDED DEBT

On September 28, 1989 the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued $3.7 million of The Philadelphia College of Pharmacy and Science Revenue Bonds, Series B of 1989 with an average interest rate of 6.55 percent to advance refund $3.3 million of outstanding bonds designated as The Philadelphia College of Pharmacy and Science Bonds, Series B of 1985 (the 1985 bonds) with an average interest rate of 8.265%. The net proceeds (including $18,795 of accrued interest) of $3.7 million (after payment of $56,250 of discount fees, deposit allocations of $18,795 to the Debt Service Fund and $29,948 to the Special Clearing Fund) plus an additional $257,505 from funds available under the original indenture were deposited with an escrow agent to provide for all future debt service payments of the 1985 bonds. As a result, the 1985 bonds are considered to be defeased and the liability for those bonds has been removed from the General Long-Term Obligations Account Group. The PHEFA advance refunded the 1985 bonds to reduce its total debt service payment by $340,506 resulting in an economic gain of $177,536.

Through June 30, 1990 the Commonwealth has defeased certain general obligation and other bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments of the old bonds. Accordingly, these assets and liabilities are not included in the Commonwealth's financial statements. At June 30, 1990 there are $893 million of bonds outstanding that have been defeased through advance refundings. Included are $307 million of general obligation bonds, $296 million and $290 million of other bonds for the State Public School Building Authority and PHEFA, Debt Service Funds, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE M—RECONCILIATION OF BUDGETARY AND GAAP BASIS AMOUNTS

The Commonwealth adopts formal annual budgets for the General and three Special Revenue Funds (Motor License, State Lottery and Workmen's Compensation Administration). In addition, the State Public School Building Authority approves a formal annual budget for its operations and is included as a Budgeted Special Revenue Fund.

The Combined Statement of Revenues, Expenditures, and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis)—presents comparisons of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from GAAP primarily by the omission of certain revenue and expenditure accruals.

The following presents a reconciliation of the budgetary basis to the GAAP basis of reporting (expressed in thousands):

	General Fund	Special Revenue Funds
BUDGETED FUNDS:		
Budgetary basis — revenues and other sources under expenditures	$ (248,896)	$ (117,002)
Adjustments:		
To adjust revenues, other financing sources and related receivables and deferred revenue	(226,155)	1,147,447
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	(948,075)	(1,386,549)
To adjust encumbrances	704,949	212,821
Net adjustments	(469,281)	(26,281)
NONBUDGETED FUNDS:		
GAAP basis — revenues and other sources over expenditures and other uses		46,412
TOTAL ALL FUNDS:		
GAAP basis — revenues and other sources under expenditures and other uses	$ (718,177)	$ (96,871)

Included in the net revenue adjustment of $(226,155) for the General Fund is a $15,072 increase in the Tax Stabilization Reserve Fund, which is included in the General Fund on the GAAP basis but is not included on the budgetary basis (amounts in thousands).

The unreserved/undesignated fund balance (budgetary basis) of $136,183 in the General Fund at June 30, 1990, as shown on the combined statement of revenues, expenditures, and changes in unreserved/undesignated fund balances - budget and actual (budgetary basis) includes a $135,317 nonrecurring lapse of the fiscal 1989-90 fourth quarter share of contributions due to the Public School Employes' Retirement Fund. Prior to the 1989-90 fiscal year, the fourth quarter payment had been encumbered at fiscal year-end. If this change had not occurred, the budgetary basis unreserved/undesignated fund balance in the General Fund at June 30, 1990 would have been lowered by an equal amount (amounts in thousands).

NOTE N—SEGMENT INFORMATION—ENTERPRISE FUNDS

The Commonwealth has seven major Enterprise Funds which provide for a limited access highway system, industrial development loans, workmen's compensation insurance services, liquor sales, student loans and scholarships, low-cost housing and capital development loans.

Segment information for the fiscal year ended June 30, 1990, unless otherwise noted, was as follows (expressed in thousands):

	Pennsylvania Turnpike Commission (May 31, 1990)	Pennsylvania Industrial Development Authority	State Workmen's Insurance Fund (Dec. 31, 1989)	State Stores Fund (June 26, 1990)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other Enterprise Funds	Total Enterprise Funds
Operating revenues	$ 222,934	$ 30,422	$ 249,741	$ 625,338	$ 191,172	$ 199,101	$ 11,692	$ 32,114	$ 1,562,514
Depreciation	55,619		709	3,176	4,027	241	16	5,900	69,688
Operating income (loss)	53,769	(6,641)	83,676	30,880	(159,585)	23,729	1,476	8,620	35,924
Operating transfers in					170,156	10,000			180,156
Operating transfers out			110,000	41,250					151,250
Net income (loss)	73,470	(6,641)	(27,493)	(4,291)	10,571	40,189	1,476	9,868	97,149
Capital contributions		6,250					101,288	5,193	112,731
Fixed asset additions (deletions)	129,990		779	8,427	3,693	784	81	(2,672)	141,082
Net increase (decrease) in cash and temporary investments	207,359	(17,550)	61,225	(22,447)	(139,798)	(1,148)	(22,817)	2,318	67,142
Total assets	1,964,912	568,989	1,062,151	163,035	1,488,788	2,347,935	233,161	251,736	8,080,707
Bonds and other long-term liabilities payable from operating revenues	1,026,383	90,650	686,547		1,197,421	1,874,423			4,875,424
Total fund equity	857,773	473,504	324,266	8,033	204,081	287,928	228,008	247,848	2,631,441

NOTE O—SELF-INSURANCE

Effective July 1, 1983 the Commonwealth became self-insured for future losses for all statutory worker's compensation and medical payments to its employes injured on the job. A loss reserve analysis is prepared annually by an independent consulting actuarial firm using standard actuarial techniques to estimate required reserve liability levels.

The Commonwealth is self-insured for tort liability claims. Major tort self-insurance areas include automobile, general tort, employe and transportation-related liability claims. Tort liabilities were determined as of June 30, 1990 based on reserves computed from the Commonwealth's claim experience.

At June 30, 1990 the following amounts are reported as General Fund and Motor License Fund, a Special Revenue Fund, accrued liabilities representing the estimate of payments to be made from currently expendable available financial resources for accidents occurring on or before June 30, 1990 (expressed in thousands):

General Fund	
Employe disability	$ 42,500
Automobile	1,223
General tort	3,129
Employe	1,820
Total	$ 48,672
Motor License Fund	
Transportation-related	$ 17,079

The portion of Commonwealth self-insurance liabilities that will not be liquidated with currently expendable, available financial resources at June 30, 1990 is reported in the General Long-Term Obligations Account Group as follows (expressed in thousands):

Transportation-related	$227,377
Employe disability	227,266
General tort	26,749
Employe	17,621
Automobile	5,978
Total	$504,991

NOTE P—COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 1990 the Department of Transportation and the Pennsylvania Turnpike Commission have contractual commitments of approximately $1.2 billion for various highway construction and mass transit projects. Financing for these future expenditures will be primarily from approved federal grants and general obligation bond sales. In addition, the Commonwealth has certain contractual commitments for future purchases of various goods and services approximating $931 million at June 30, 1990. These commitments are contingent upon availability of financial resources.

At June 30, 1990, the Pennsylvania Infrastructure Investment Authority and the Pennsylvania Industrial Development Authority, which are Enterprise Funds, had $674 million and $163 million, respectively, in approved loans that had not been disbursed.

Operating Lease Commitments: The Commonwealth has commitments to lease certain buildings and equipment. Future minimum rental commitments for noncancelable operating leases as of June 30, 1990 were as follows (expressed in thousands):

Fiscal year ending June 30:	
1991	$119,150
1992	65,535
1993	52,234
1994	38,102
1995	27,888
Later years	43,223
Total Minimum Lease Payments	$346,132

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 1990 amounted to $153 million.

Litigation: The Commonwealth, its affiliates and employes are defendants in numerous legal proceedings pertaining to matters normally incidental to routine operations. Such litigation includes, but is not limited to, claims asserted against the Commonwealth arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of Commonwealth and Federal laws. The Commonwealth has recorded accrued liabilities at June 30, 1990 with respect to torts as presented in Note O and as follows with respect to other matters of litigation for which the likelihood of an unfavorable outcome is probable (expressed in thousands):

General Fund	$ 11,516
Other General Long-Term Obligations	128,232

Additionally, the Commonwealth has been involved over the past several years in certain legal proceedings relative to highway tax matters, bank tax matters and Public Utility Realty taxes, which continue into the present year. The Commonwealth is vigorously contesting these cases, but if unsuccessful, the Commonwealth could be required to make settlements and refund certain highway taxes of approximately $580 million (Motor License Fund), bank taxes of $730 million (General Fund) and Public Utility Realty taxes up to $575 million (General Fund). Other cases that the Commonwealth is currently vigorously contesting could range from approximately $272 to $365 million, $7 to $40 million and $17 to $24 million of additional liabilities for the General Fund, Capital Projects Funds and Special Revenue Funds, respectively.

Based on the current status of all these legal proceedings for which accruals have not been made, it is the opinion of the Commonwealth's management and counsel that they will not have a material effect on the Commonwealth's financial position.

NOTE P—Commitments and Contingencies (continued)

Federal Grants: The Commonwealth receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the general purpose financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the Commonwealth. The Commonwealth is currently involved in administrative and legal proceedings, with certain Federal agencies, contesting various disallowances and sanctions related to Federal Assistance Programs ranging from $34 to $35 million. The Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the general purpose financial statements.

At June 30, 1990 the Commonwealth had custody of $336 million in Federal Food Stamps. These food stamps will be distributed to eligible recipients in accordance with Federal regulations.

Student Loan Guarantees: The Pennsylvania Higher Education Assistance Agency (PHEAA), an Enterprise Fund, guarantees loans made by private lenders to certain resident students. Total outstanding guarantees issued by PHEAA approximated $4.9 billion at June 30, 1990. The U.S. Department of Education reinsures losses under these guarantees up to 100 percent until losses are in excess of 5 or 9 percent of the total loans in repayment status, then the reinsurance rate decreases to 90 and 80 percent, respectively.

Other Contingency: The State Lottery Fund, a Special Revenue Fund, has entered into agreements with insurance companies under which the Lottery purchases annuities under group contracts which provide payments corresponding to the State Lottery Fund's obligation to prize winners. The Commonwealth would be liable for such future payments if the insurance companies would default on their payment. In the event of default, the Commonwealth would have to fund future prize payments amounting to $1.9 billion, discounted at an interest rate of 9.4 percent to a net present value of $884 million at June 30, 1990.

NOTE Q—MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND

The Medical Professional Liability Catastrophe Loss Fund, an Agency Fund, acts primarily as an agent to facilitate the payment of claims covering excess liability of health care providers practicing in the Commonwealth. The Fund levies surcharges to health care providers to pay settled claims and administrative expenses paid on behalf of health care providers during the prior year. The actuarially computed liability to the health care providers for claims outstanding at June 30, 1990 totals $1,393.1 million ($817 million at present value based on the expected payment pattern and an assumed long-term interest rate of 8.5 percent). At June 30, 1990 $117 million is payable with expendable available financial resources and is reported as a fund liability. The remaining claims will be funded exclusively through assessments to health care providers in future years as claims are settled and paid and, therefore, do not represent liabilities of the Commonwealth. The following is a summary of the increases and decreases of the Fund's assets for the year ended June 30, 1990 (expressed in thousands):

Fund assets, July 1, 1989	$145,532
Surcharges to health care providers	113,980
Investment earnings	11,256
Payments to claimants	(143,453)
Administrative costs	(7,313)
Fund assets, June 30, 1990	$120,002

NOTE R—DEFERRED COMPENSATION

The Commonwealth offers its employes a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by the State Employes' Retirement System, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employes until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with the amounts, and all income attributable to these amounts are solely the property and rights of the Commonwealth, subject only to the claims of the Commonwealth's general creditors. Participants' rights under the plan are equal to those of general creditors of the Commonwealth in an amount equal to the fair market value of the deferred account of each participant. The Commonwealth has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Commonwealth believes it is unlikely that plan assets will be used to satisfy future claims of general creditors.

Of the $21.3 million in assets (at market value) reported in the Deferred Compensation Fund, an Agency Fund, at December 31, 1989, $21.2 million relates to participants employed by organizations included in the Commonwealth's financial reporting entity. The remaining balance relates to participants employed by organizations not included in the Commonwealth's financial reporting entity.

NOTE S—SUBSEQUENT EVENTS

On August 3, 1990, the Pennsylvania Housing Finance Agency (PHFA), an Enterprise Fund, authorized the issuance of $80 million and $30 million of Single Family Mortgage Revenue Bonds, Series 1990-28 and 1990-29, respectively. The proceeds of these bond issues will be used to finance single family mortgage loans.

During the months of August, November, and December 1990, the Commonwealth issued $495 million of Tax Anticipation Notes, First Series of 1990-91, $475 million of Tax Anticipation Notes, Second Series of 1990-91, and $430 million of Tax Anticipation Notes, Third Series of 1990-91, respectively. The notes are payable from and secured by the pledges of revenues to be received in the General Fund during the fiscal year ending June 30, 1991. These obligations are due and payable not later than June 30, 1991.

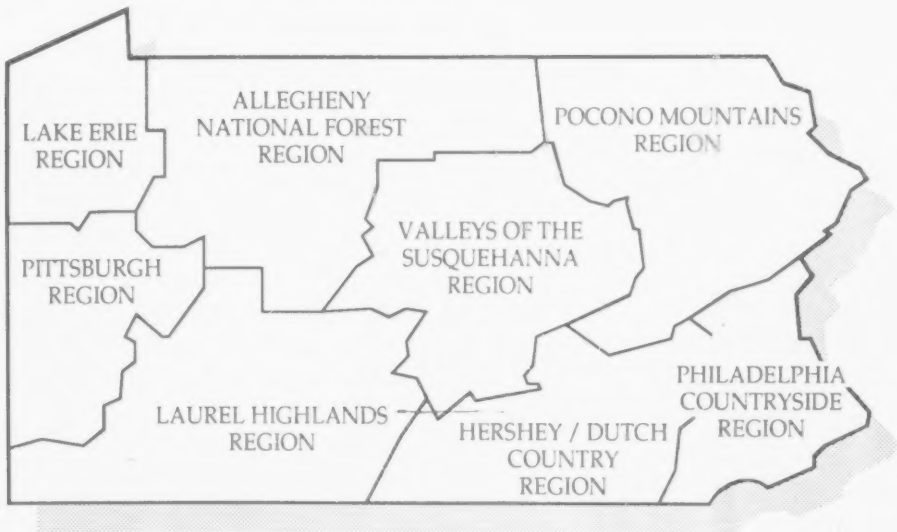
During the months of September, October, and November 1990 the Commonwealth issued $99 million of General Obligation Bond Anticipation Notes, Series 1990 A.

On October 25, 1990, the Pennsylvania Infrastructure Investment Authority (PENNVEST), an Enterprise Fund, issued $60 million in revenue bonds. These bonds are secured by the assignment of loan principal and interest repayments PENNVEST will receive from its borrowers and by a letter of credit obtained by PENNVEST. These bonds mature on September 1, 2010.

On October 31, 1990, the Pennsylvania Industrial Development Authority (PIDA), an Enterprise Fund, entered into a transaction whereby title to property which previously secured a loan receivable was transferred to the PIDA. In turn, the PIDA executed a new agreement with a new party, whereby the subject property will be leased to the new party. This lease will be treated as a capital lease for accounting purposes. The PIDA has recorded an increase in the allowance for possible loan losses in the amount of $24 million, which was charged to other operating expenses during the fiscal year ended June 30, 1990. This charge represents the difference between the net present value of the former loan and the net present value of the new capital lease agreement.

Combining Financial Statements and Schedules

EIGHT GREAT PENNSYLVANIAS



Eight Great Pennsylvanias

☐

ALLEGHENY NATIONAL FOREST REGION

The centerpiece of this region is the Allegheny National Forest, a half-million acres of paradise for nature lovers. This region also boasts The Magic Forests, plus more acres of state game land than anywhere else in the Commonwealth.

☐

LAKE ERIE REGION

There are more than 32,000 acres of inland lakes and hundreds of miles of rivers here, anchored by this region's greatest lake, Lake Erie.

☐

PITTSBURGH REGION

Visitors to this region will be amazed at the proximity of city to country. Just a short drive takes you from the tall spires of one of America's most spectacular urban skylines to Amish farmland and historic small towns.

☐

LAUREL HIGHLANDS REGION

The Allegheny Mountains begin in the rolling hills and small peaks of this region, making it a prime area for outdoor activities. The valleys below the highlands are filled with mining and manufacturing towns like Johnstown, part of America's Industrial Heritage Project.

☐

HERSHEY/DUTCH COUNTRY REGION

The golden fields and rolling hills of this region are home to Amish and Mennonite farmers who have cultivated this land for generations. There's also national history here: the famous Gettysburg battlefield and America's first capital, York. You can also have plenty of present-day fun at the Reading shopping outlets and Hershey, the amusement park and resort known as *"Chocolatetown, U.S.A."*

☐

POCONO MOUNTAINS REGION

Both the Endless and Pocono Mountains provide incredible scenic vistas for nature lovers and great challenges for skiers of every age. Hundreds of freshwater lakes mean spring and summer fun for boaters, swimmers and fishermen., The towns of Scranton and Wilkes-Barre are alive with reminders of our industrial age.

☐

PHILADELPHIA COUNTRYSIDE REGION

Here you'll find America's most historic square mile, including the Liberty Bell and Independence Hall, surrounded by one of our nation's most diverse cities. Outside the city are the lively artists' colonies of Bucks County, Bethlehem's Moravian settlements, Langhorne's Sesame Place amusement park and quaint towns along the Delaware River.

☐

VALLEYS OF THE SUSQUEHANNA REGION

Streams, creeks and rivers crisscross this region. You'll find traditional river towns here plus old mills and more covered bridges than anywhere else in the Commonwealth. This region is also the home of the famous Nittany Lions of Pennsylvania State University.

Special Revenue Funds

ALLEGHENY NATIONAL FOREST REGION

Much of the Allegheny National Forest Region was well protected from attempts to settle it due to rugged terrain and harsh weather. In some areas, the land remains as untouched as it was one hundred years ago. In the spring and early summer, the countryside blooms with wild rhododendron, dogwood and the state flower, mountain laurel.

The Allegheny National Forest Region is home to more big game than any other part of Pennsylvania. You'll find more than 14,000 acres of state game land in Clarion County alone. Also, there's still a county where deer outnumber people 15 to 1.

This region is an angler's paradise as well. Trout fishermen will want to drop a line along Pine Creek where the fishing and the scenery are spectacular. The Pennsylvania record muskie was caught at Kinzua Dam, also an excellent location for walleye and trout fishing.

The crown jewel of the region is the Allegheny National Forest. Unhindered and unhurried, you can explore a half-million breathtaking acres of dense woodlands and picturesque narrow valleys. You'll also find nearly 200 miles of trails for intermediate and advanced hikers. Throughout the Forest, cyclists can also pedal to their hearts' content.

Another highlight in this region is the Pennsylvania Grand Canyon, 300,000 acres of forest land that include a 1,000-foot drop at Pine Creek Gorge.

- Potter County is nicknamed "God's Country" for its mountains, streams, and half-million acres of forest.
- McKean County is the home of the Knox, Kane and Kinzua Railroad.
- Tioga County is the home of the "Pennsylvania Grand Canyon."
- Cameron County is the birthplace of Tom Mix, first cowboy of the silent screen.
- Elk County is home to one of only two elk herds found east of the Mississippi River.
- Jefferson County is home to world-famous Punxsutawney Phil, the groundhog who checks for his shadow on February 2.
- Forest County, with a census of just 4,900, is the least-populated county in Pennsylvania.
- Warren County is home to the Kinzua Dam and the Allegheny Reservoir.
- Clarion County is the headquarters of the bakers of world-famous Archway cookies.

SPECIAL REVENUE FUNDS
DESCRIPTIONS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

State Lottery Fund — to account for the payment of prizes to winners in the state lottery, for property tax and rent assistance to the elderly, for mass transit fare subsidies, for the inflation dividend program for the elderly and for a partial rebate of drug and medical costs incurred by the elderly.

Motor License Fund — to account for highway and bridge improvement, design and maintenance, for the purchase of Rights-of-Way, for aviation activities, for transportation licensing and safety activities, for payment of subsidies for construction and maintenance of roads, and for financing Pennsylvania State Police highway patrol operations.

Workmen's Compensation Administration Fund — to account for the administration of the Pennsylvania Workmen's Compensation Act and the Pennsylvania Occupational Disease Act. The Fund assesses insurance companies and self-insured businesses a periodic fee for costs incurred in administering these Acts.

State Public School Building Authority — to account for the administration of the State Public School Building Authority (SPSBA). The SPSBA acts as a financing authority for the construction and improvement of public school facilities. Excess funds, after payment of debt service and administrative costs, are returned to the public schools.

Pharmaceutical Assistance Fund — to account for a limited pharmaceutical assistance program for the Commonwealth's senior citizens who are 65 years of age or older.

Water Facilities Loan Fund — to account for the implementation of the water project loan referendum that authorizes the Commonwealth to approve loans to local water companies for the repair, construction, extension and improvement of water supply systems, dams and port facilities and water control systems. Repayments of principal and interest from loans are transferred to the General Fund.

Pennsylvania Economic Revitalization Fund — to account for the promotion of economic redevelopment throughout Pennsylvania, for grants and loans for industrial and small business development, for acquisition of equipment for vocational programs in secondary schools, and for agricultural and recreational programs.

Hazardous Sites Cleanup Fund — to account for cleaning up abandoned hazardous waste sites throughout the Commonwealth and restoring the land to productive use.

Fish and Game Fund — to account for the administration and enforcement of fish and game laws and for the protection and propagation of game and aquatic life.

Pennsylvania Higher Educational Facilities Authority — to account for the administration of the Pennsylvania Higher Educational Facilities Authority (PHEFA). The PHEFA acts as a financing authority for the construction and improvement of higher educational institutions. Excess funds, after payment of debt service and administrative costs, are returned to the higher educational institutions.

Other — to account for programs related to conservation and protection of natural resources, the preservation of historical landmarks, administrative and regulatory activities of various departmental programs and other miscellaneous Commonwealth activities.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Budgeted Funds											
	State Lottery	Motor License	Workmen's Compensation Administration	State Public School Building Authority	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Revitalization	Hazardous Sites Cleanup	Fish and Game	Pennsylvania Higher Educational Facilities Authority	Other	Total
ASSETS												
Cash	$ 2,268	$ 24,304	$ 43	$ 277	$	$ 1	$ 97	$ 46	$ 432	$	$ 2,232	$ 29,700
Cash with fiscal agent	....	....	....	....	....	....	....	....	....	120	....	120
Temporary investments	192,770	219,829	11,175	9,683	11,414	5,587	38,753	57,757	59,086	12,228	196,311	814,593
Long-term investments	13,485	....	....	4,722	....	....	....	....	....	....	....	18,207
Receivables, net:												
Taxes	....	148,958	....	....	....	....	....	....	....	....	....	148,958
Accounts	27,285	....	290	....	....	....	....	....	....	....	2,954	30,529
Accrued interest	1,289	1,462	5	247	142	293	175	321	390	98	1,846	6,268
Loans	....	....	....	....	....	59,426	10,161	....	....	....	36,937	106,524
Lease rental	....	....	....	239,602	....	....	....	....	....	1,106,565	....	1,346,167
Other	....	3,095	....	....	....	....	....	....	....	....	....	3,095
Due from other funds	....	34,398	8	....	....	....	1,000	26,711	1,732	....	6,595	70,444
Due from other governments	6,168	75,813	....	....	....	....	....	....	4,147	....	3,045	89,173
TOTAL ASSETS	$ 243,265	$ 507,859	$ 11,521	$ 254,531	$ 11,556	$ 65,307	$ 50,186	$ 84,835	$ 65,787	$ 1,119,011	$ 249,920	$ 2,663,778
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and accrued liabilities	$ 237,384	$ 214,818	$ 533	$ 375	$ 9,185	$	$ 3,015	$ 1,115	$ 5,860	$	$ 13,714	$ 485,999
Tax refunds payable	....	285	....	....	....	....	....	....	....	....	....	285
Due to other funds	494	15,382	414	1	14	3,660	339	357	1,276	....	5,061	26,998
Due to other governments	4,602	14,939	17	....	1	....	....	7	145	....	3,830	23,541
Deferred revenue	1,411	32	....	239,602	....	....	75	128	....	1,106,565	5,548	1,353,361
Advances from other funds	....	2,175	....	....	....	....	....	....	....	....	....	2,175
TOTAL LIABILITIES	243,891	247,631	964	239,978	9,200	3,660	3,429	1,607	7,281	1,106,565	28,153	1,892,359
Fund Balance:												
Reserved for:												
Encumbrances	684	96,938	61	....	300	4,897	28,184	1,688	3,451	....	22,861	159,064
Loans receivable	....	....	....	....	....	59,426	10,161	....	....	....	36,937	106,524
Long-term investments	13,485	....	....	4,722	....	....	....	....	....	....	....	18,207
Unreserved:												
Designated for:												
Highways	....	81,957	....	....	....	....	....	....	....	....	....	81,957
Other	....	....	....	....	....	....	5,127	....	15	....	29,733	34,875
Undesignated (deficit)	(14,795)	81,333	10,496	9,831	2,056	(2,676)	3,285	81,540	55,040	12,446	132,236	370,792
TOTAL FUND BALANCES (DEFICIT)	(626)	260,228	10,557	14,553	2,356	61,647	46,757	83,228	58,506	12,446	221,767	771,419
TOTAL LIABILITIES AND FUND BALANCES	$ 243,265	$ 507,859	$ 11,521	$ 254,531	$ 11,556	$ 65,307	$ 50,186	$ 84,835	$ 65,787	$ 1,119,011	$ 249,920	$ 2,663,778

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Budgeted Funds											
	State Lottery	Motor License	Workmen's Compensation Administration	State Public School Building Authority	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Revitalization	Hazardous Sites Cleanup	Fish and Game	Pennsylvania Higher Educational Facilities Authority	Other	Total
REVENUES:												
Taxes	$	$ 1,009,865	$	$	$	$	$	$ 29,676	$ 125	$	$ 5,619	$ 1,045,285
Licenses and fees	98	478,304	....	....	....	....	....	3,696	40,909	....	37,600	560,607
Intergovernmental	52,784	791,398	....	....	....	....	....	912	9,444	....	73,749	928,287
Charges for sales and services	3,517	42,220	17,111	920	....	4,943	288	....	13,909	....	32,313	115,221
Investment income	17,920	24,725	726	1,646	1,555	559	3,112	4,174	5,107	2,406	19,037	80,967
Lottery revenues	1,529,835	....	....	....	....	....	....	....	....	....	....	1,529,835
Lease rental principal	....	....	....	33,628	....	....	....	....	....	83,617	....	117,245
Lease rental interest	....	....	....	18,870	....	....	....	....	....	58,107	....	76,977
Other	2,071	75,409	636	33	17	....	262	16	2,386	....	31,395	112,225
TOTAL REVENUES	1,606,225	2,421,921	18,473	55,097	1,572	5,502	3,662	38,474	71,880	144,130	199,713	4,566,649
EXPENDITURES:												
Current:												
General government	981,802	80,621	16,136	....	....	....	1,194	....	....	....	55,260	1,135,013
Protection of persons and property	....	....	....	....	....	....	....	....	....	....	5,876	5,876
Public health and welfare	481,626	....	....	....	209,405	....	....	....	....	....	100,628	791,659
Public education	....	....	....	1,749	....	....	....	....	....	453	148	2,350
Conservation of natural resources	....	....	....	....	....	211	4,008	13,547	67,508	....	20,473	105,747
Economic development and assistance	....	....	....	....	....	....	39,183	....	....	....	1,059	40,242
Transportation	50,416	2,024,763	....	....	....	....	....	....	....	....	....	2,075,179
Capital outlay	....	24,944	....	....	....	....	....	....	....	....	....	24,944
Debt Service:												
Interest and fiscal charges	1,240	1,623	....	....	89	39	203	292	353	....	1,253	5,092
TOTAL EXPENDITURES	1,515,084	2,131,951	16,136	1,749	209,494	250	44,588	13,839	67,861	453	184,697	4,186,102
REVENUES OVER (UNDER) EXPENDITURES	91,141	289,970	2,337	53,348	(207,922)	5,252	(40,926)	24,635	4,019	143,677	15,016	380,547
OTHER FINANCING SOURCES (USES):												
Bond proceeds	....	....	....	....	....	1,977	....	....	....	....	....	1,977
Operating transfers in	....	142,601	....	1,776	188,000	....	34,600	15,926	1,481	84,966	25,441	494,791
Operating transfers out	(206,982)	(474,690)	....	(53,037)	....	(7,782)	(2,910)	....	(65)	(233,111)	(5,531)	(984,108)
Capital lease and installment purchase obligations	....	10,253	....	....	....	....	....	....	....	....	....	10,253
Other	....	....	....	....	....	....	....	....	(2)	(5)	(324)	(331)
NET OTHER FINANCING SOURCES (USES)	(206,982)	(321,836)	....	(51,261)	188,000	(5,805)	31,690	15,926	1,414	(148,150)	19,586	(477,418)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(115,841)	(31,866)	2,337	2,087	(19,922)	(553)	(9,236)	40,561	5,433	(4,473)	34,602	(96,871)
FUND BALANCES, JULY 1, 1989	115,215	292,094	8,220	12,466	22,278	64,175	59,868	42,667	53,073	16,919	186,400	873,375
RESIDUAL EQUITY TRANSFERS	....	....	....	....	....	(1,975)	(3,875)	....	....	....	765	(5,085)
FUND BALANCES (DEFICIT), JUNE 30, 1990	$ (626)	$ 260,228	$ 10,557	$ 14,553	$ 2,356	$ 61,647	$ 46,757	$ 83,228	$ 58,506	$ 12,446	$ 221,767	$ 771,419

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED/UNDESIGNATED FUND BALANCES— BUDGET AND ACTUAL (BUDGETARY BASIS) BUDGETED SPECIAL REVENUE FUNDS

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	State Lottery			Motor License		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
State Programs:						
Taxes, net of refunds	$	$	$	$ 930,305	$ 924,738	$ (5,567)
Lottery receipts	944,900	843,655	(101,245)	....	....	....
Licenses and fees	....	....	....	461,700	460,335	(1,365)
Departmental services	6,712	6,712	....	36,606	36,606	....
Other	16,762	19,837	3,075	89,000	98,996	9,996
TOTAL STATE PROGRAMS	968,374	870,204	(98,170)	1,517,611	1,520,675	3,064
Federal Programs	58,821	57,649	(1,172)	792,008	616,804	(175,204)
TOTAL REVENUES	1,027,195	927,853	(99,342)	2,309,619	2,137,479	(172,140)
EXPENDITURES:						
State Programs:						
General government	347,532	289,805	57,727	232,222	220,512	11,710
Protection of persons and property	....	....	....	187,261	182,232	5,029
Public health and welfare	701,763	689,942	11,821	....	....	....
Public education	....	....	....	2,300	1,785	515
Transportation	....	....	....	1,169,041	1,148,859	20,182
TOTAL STATE PROGRAMS	1,049,295	979,747	69,548	1,590,824	1,553,388	37,436
Federal Programs	58,821	57,649	1,172	792,008	616,804	175,204
TOTAL EXPENDITURES	1,108,116	1,037,396	70,720	2,382,832	2,170,192	212,640
REVENUES OVER (UNDER) EXPENDITURES	(80,921)	(109,543)	(28,622)	(73,213)	(32,713)	40,500
OTHER FINANCING SOURCES:						
Prior year lapses	7,296	7,296	....	14,426	14,426	....
TOTAL OTHER FINANCING SOURCES	7,296	7,296	....	14,426	14,426	....
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(73,625)	(102,247)	(28,622)	(58,787)	(18,287)	40,500
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JULY 1, 1989	256,640	256,640	....	74,643	74,643	....
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1990	$ 183,015	$ 154,393	$ (28,622)	$ 15,856	$ 56,356	$ 40,500

(Expressed in Thousands)

Workmen's Compensation Administration			State Public School Building Authority			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 17,067	$ 16,833	$ (234)	$	$	$	$ 947,372	$ 941,571	$ (5,801)
....	....	....	....	....	....	944,900	843,655	(101,245)
....	....	....	2,172	1,128	(1,044)	463,872	461,463	(2,409)
....	....	....	1,416	1,416	....	44,734	44,734	....
1,200	1,345	145	849	922	73	107,811	121,100	13,289
18,267	18,178	(89)	4,437	3,466	(971)	2,508,689	2,412,523	(96,166)
....	....	....	....	....	....	850,829	674,453	(176,376)
18,267	18,178	(89)	4,437	3,466	(971)	3,359,518	3,086,976	(272,542)
17,067	17,067	....	1,511	1,246	265	598,332	528,630	69,702
....	....	....	....	....	....	187,261	182,232	5,029
....	....	....	....	....	....	701,763	689,942	11,821
....	....	....	....	....	....	2,300	1,785	515
....	....	....	....	....	....	1,169,041	1,148,859	20,182
17,067	17,067	....	1,511	1,246	265	2,658,697	2,551,448	107,249
....	....	....	....	....	....	850,829	674,453	176,376
17,067	17,067	....	1,511	1,246	265	3,509,526	3,225,901	283,625
1,200	1,111	(89)	2,926	2,220	(706)	(150,008)	(138,925)	11,083
201	201	....	....	....	....	21,923	21,923	....
201	201	....	....	....	....	21,923	21,923	....
1,401	1,312	(89)	2,926	2,220	(706)	(128,085)	(117,002)	11,083
8,830	8,830	....	9,419	9,419	....	349,532	349,532	....
$ 10,231	$ 10,142	$ (89)	$ 12,345	$ 11,639	$ (706)	$ 221,447	$ 232,530	$ 11,083

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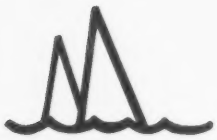
Debt Service Funds



LAKE ERIE REGION

In the far-corner of the region, the City of Erie's skyline is reflected in the greatest lake of them all, Lake Erie. On this magnificent and historic shore you'll see the U.S. Brig *Niagara,* Commodore Perry's relief flagship during the famous Battle of Lake Erie in the War of 1812.

From the City of Erie, you can travel north to Presque Isle State Park, a wildlife refuge that's a haven for deer, squirrels, raccoons and rabbits. You may choose to traverse this route by bicycle on the Seaway Trail.

The fertile soil in the Lake Erie Region makes it an important center for farming. In spring and summer, the peach, cherry and apple orchards are in full flower, growing alongside the largest stretch of concord grapes east of the Mississippi River. The Iowa to Maine Trail, one portion of a national Bikecentennial Trail, also winds through this area.

This part of the state also played an important role in America's Industrial Revolution. It was here, in 1859, that Edwin Drake drilled America's first oil well along Oil Creek and discovered oil 69 feet down.

- Crawford County is where the first stern-wheel steamboat was built in 1839.
- Erie County is the home port of the U.S. Brig *Niagara*.
- Mercer County is the home of Wendell August Forge, the oldest operating forge in the world.
- Venango County is the home of America's first oil well and the Drake Oil Well Museum.

DEBT SERVICE FUNDS
DESCRIPTIONS

Debt service funds account for the accumulation of resources, principally from transfers from other funds, for the payment of general long-term debt principal and interest.

Disaster Relief Redemption Fund — to account for the payment of principal and interest on bonds issued for the rehabilitation of areas of the Commonwealth affected by the floods of 1971, 1972, and 1977. Funding consists of transfers from the General Fund.

Water Facilities Loan Redemption Fund — to account for the payment of principal and interest on bonds issued for loans to local water companies for the repair, construction, extension and improvement of water supply systems, dams and port facilities and water control systems. Funding consists of transfers from the General Fund and the Water Facilities Loan Fund.

Capital Debt Fund — to account for the payment of principal and interest related to general obligation bonds issued for capital projects authorized by Capital Budget Acts. Funding consists of transfers from the General Fund and the Motor License Fund.

Pennsylvania Higher Educational Facilities Authority — to account for the payment of principal and interest on bonds issued by the Pennsylvania Higher Educational Facilities Authority (PHEFA). The PHEFA acts as the financing authority for the construction and improvement of higher educational institutions. Funding consists of rental payments collected for the use of the facilities.

State Public School Building Authority — to account for the payment of principal and interest on bonds issued by the State Public School Building Authority (SPSBA). The SPSBA acts as a financing authority for the construction and improvement of public school facilities. Funding consists of rental payments collected for the use of the facilities and transfers from the SPSBA Special Revenue Fund.

Land and Water Development Sinking Fund — to account for the payment of principal and interest on bonds issued for the acquisition, development and improvements to Commonwealth land and water facilities. Funding consists of transfers from the General Fund.

Other — to account for the payment of principal and interest on bonds issued for loans to local water companies for improvements to water supply systems, to nursing homes and volunteer fire companies, for the promotion of economic redevelopment and for compensation to Vietnam Veterans. Funding consists primarily of transfers from the General Fund.

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Disaster Relief Redemption	Water Facilities Loan Redemption	Capital Debt	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Land and Water Development Sinking	Other	Total
ASSETS								
Cash	$	$ 1	$ 1	$	$ 10	$	$ 3	$ 15
Cash with fiscal agents	1,288	53	30,406	5,662	....	3,206	526	41,141
Temporary investments	....	....	992	70,355	6,457	....	531	78,335
Long-term investments	....	....	....	50,139	10,134	....	....	60,273
Receivables, net:								
Accounts	....	....	20,000	....	....	....	....	20,000
Accrued interest	....	....	1	1,714	297	....	10	2,022
Lease rental	....	....	34,876	....	....	....	....	34,876
Due from other funds	....	41	....	....	....	13	384	438
TOTAL ASSETS	$ 1,288	$ 95	$ 86,276	$ 127,870	$ 16,898	$ 3,219	$ 1,454	$ 237,100
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	$	$	$ 34	$	$	$	$	$ 34
Matured debt principal and interest payable	1,288	53	30,406	....	....	3,206	524	35,477
Due to other funds	....	....	....	....	....	....	1	1
Deferred revenue	....	....	54,876	....	....	....	....	54,876
Other liabilities	....	8	657	....	....	4	60	729
TOTAL LIABILITIES	1,288	61	85,973	....	....	3,210	585	91,117
Fund Balance:								
Reserved for:								
Long-term investments	....	....	....	50,139	10,134	....	....	60,273
Unreserved:								
Designated for:								
Debt Service:								
Retirement of general obligation bonds	....	34	303	....	....	9	928	1,274
Retirement of other bonds	....	....	....	77,731	6,764	....	....	84,495
Undesignated (deficit)	....	....	....	....	....	....	(59)	(59)
TOTAL FUND BALANCES	....	34	303	127,870	16,898	9	869	145,983
TOTAL LIABILITIES AND FUND BALANCES	$ 1,288	$ 95	$ 86,276	$ 127,870	$ 16,898	$ 3,219	$ 1,454	$ 237,100

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Disaster Relief Redemption	Water Facilities Loan Redemption	Capital Debt	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Land and Water Development Sinking	Other	Total
REVENUES:								
Investment income	$	$ 3	$ 37	$ 24,101	$ 2,393	$ 1	$ 519	$ 27,054
Other	....	....	9,602	17	....	....	3	9,622
TOTAL REVENUES	....	3	9,639	24,118	2,393	1	522	36,676
EXPENDITURES:								
Debt Service:								
Principal retirement	7,030	6,945	363,835	137,975	36,690	21,030	34,855	608,360
Interest and fiscal charges	5,377	8,252	249,661	97,260	20,080	16,510	11,746	408,886
TOTAL EXPENDITURES	12,407	15,197	613,496	235,235	56,770	37,540	46,601	1,017,246
REVENUES UNDER EXPENDITURES	(12,407)	(15,194)	(603,857)	(211,117)	(54,377)	(37,539)	(46,079)	(980,570)
OTHER FINANCING SOURCES (USES):								
Refunding bond proceeds	....	....	....	3,750	....	....	....	3,750
Operating transfers in	12,407	15,171	604,084	299,585	53,502	37,534	42,169	1,064,452
Operating transfers out	....	....	....	(72,844)	(920)	....	(13)	(73,777)
Payment to refunded bond escrow agent	....	....	....	(3,664)	....	....	....	(3,664)
Other	....	....	....	(1,959)	....	....	....	(1,959)
NET OTHER FINANCING SOURCES	12,407	15,171	604,084	224,868	52,582	37,534	42,156	988,802
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	....	(23)	227	13,751	(1,795)	(5)	(3,923)	8,232
FUND BALANCES, JULY 1, 1989	....	57	76	114,119	18,693	14	4,792	137,751
FUND BALANCES, JUNE 30, 1990	$	$ 34	$ 303	$ 127,870	$ 16,898	$ 9	$ 869	$ 145,983

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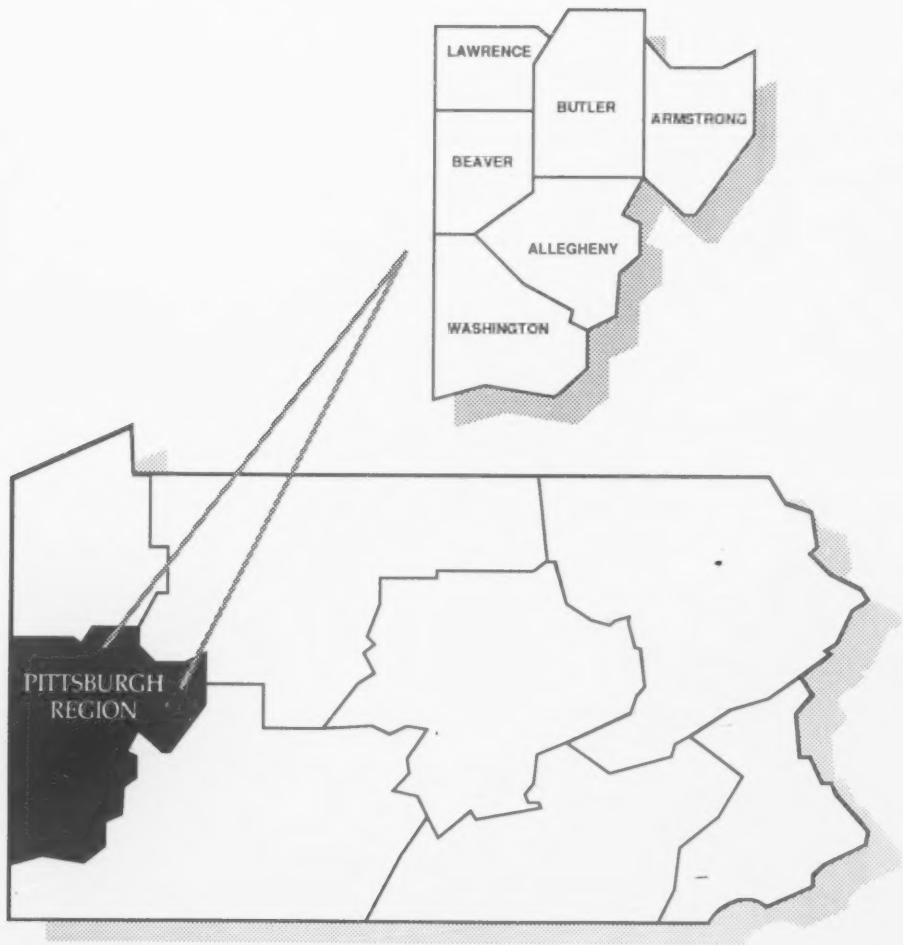
Capital Projects Funds



PITTSBURGH REGION

Although the other end of the state is synonymous with revolution, a metamorphosis of a different kind is underway in Pittsburgh. The glittering steel and glass of one of America's most extraordinary modern skylines now stand in sharp contrast to the old mills and mines along the river banks bounding the city. Also on these river banks you'll find Point State Park and historic Fort Pitt, site of a pivotal battle during the French and Indian War.

But the magic of the Pittsburgh Region is the proximity of city to country. A short drive takes you away from tall spires and cement to historic sites like Old Economy and Old Bedford villages, where craftsmen and townspeople showcase the way western Pennsylvanians lived in the 19th century. Also, Lawrence County is home to several Amish communities where life has remained almost unchanged for one hundred years.

- Washington County's George Black made the first stogie cigar in 1826 and named it for the Conestoga wagons.
- Pittsburgh, Allegheny County, has more cultural institutions per capita than any other city in the country.
- Armstrong County is where the first mushroom mine was established in 1937.
- Butler County, at one time, supplied 75% of the world's oil.
- Beaver County had the first military training camp in the United States.

CAPITAL PROJECTS FUNDS DESCRIPTIONS

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions or other public organizations.

Capital Facilities Fund — to account for the proceeds of general obligation bonds issued to meet the financing costs of capital projects specifically itemized and authorized by Capital Budget Acts.

Pennsylvania Higher Educational Facilities Authority — to account for proceeds of bonds issued to finance the construction and improvement of higher educational institutions.

State Public School Building Authority — to account for the proceeds of bonds issued to finance the construction and improvement of public school facilities.

Land and Water Development Fund — to account for the proceeds of bonds issued to meet the financing costs for the acquisition, development and improvement to Commonwealth land and water facilities.

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Capital Facilities	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Land and Water Development	Total
ASSETS					
Cash	$ 7	$	$	$ 6	$ 13
Cash with fiscal agents	....	4,214	2,204	....	6,418
Temporary investments	88,705	69,768	83,850	1,753	244,076
Long-term investments	....	82,609	6,560	....	89,169
Receivables, net:					
Accrued interest	1,065	759	1,469	13	3,306
Other	....	....	1,041	....	1,041
Due from other funds	145	....	....	20	165
TOTAL ASSETS	$ 89,922	$ 157,350	$ 95,124	$ 1,792	$ 344,188
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 28,054	$	$ 4,500	$ 135	$ 32,689
Due to other funds	30,950	....	....	110	31,060
Due to other governments	....	....	....	7	7
TOTAL LIABILITIES	59,004	....	4,500	252	63,756
Fund Balance:					
Reserved for:					
Encumbrances	314,283	....	....	521	314,804
Long-term investments	....	82,609	6,560	....	89,169
Unreserved:					
Designated for:					
Capital projects	....	74,741	84,064	1,019	159,824
Undesignated (deficit)	(283,365)	....	....	....	(283,365)
TOTAL FUND BALANCES	30,918	157,350	90,624	1,540	280,432
TOTAL LIABILITIES AND FUND BALANCES	$ 89,922	$ 157,350	$ 95,124	$ 1,792	$ 344,188

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES CAPITAL PROJECTS FUNDS

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Capital Facilities	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Land and Water Development	Total
REVENUES:					
Intergovernmental	$ 2,193	$	$	$ 12	$ 2,205
Charges for goods and services	4,158	....	....	....	4,158
Investment income	9,399	10,948	8,185	212	28,744
Other	14	9,300	....	161	9,475
TOTAL REVENUES	15,764	20,248	8,185	385	44,582
EXPENDITURES:					
Public education	....	225,501	27,406	....	252,907
Economic development and assistance	78,330	....	....	....	78,330
Transportation	70,990	....	....	....	70,990
Capital outlay	110,640	....	....	2,575	113,215
Debt service:					
Interest and fiscal charges	525	....	....	14	539
TOTAL EXPENDITURES	260,485	225,501	27,406	2,589	515,981
REVENUES UNDER EXPENDITURES	(244,721)	(205,253)	(19,221)	(2,204)	(471,399)
OTHER FINANCING SOURCES (USES):					
Bond proceeds	330,815	348,759	19,271	989	699,834
Operating transfers in	....	6,347	578	....	6,925
Operating transfers out	(138,425)	(85,165)	(1,477)	(198)	(225,265)
Other	(535)	(794)	....	(476)	(1,805)
NET OTHER FINANCING SOURCES	191,855	269,147	18,372	315	479,689
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(52,866)	63,894	(849)	(1,889)	8,290
FUND BALANCES, JULY 1, 1989	146,845	93,456	91,473	3,429	335,203
RESIDUAL EQUITY TRANSFERS	(63,061)	....	....	....	(63,061)
FUND BALANCES, JUNE 30, 1990	$ 30,918	$ 157,350	$ 90,624	$ 1,540	$ 280,432

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Enterprise Funds

LAUREL HIGHLANDS REGION

One of the country's most majestic mountain ranges, the Alleghenies, begins in the gently rolling hills and small peaks of the Laurel Highlands, making the Laurel Highlands Region a prime area for outdoor activities. Lake Raystown is a favorite of boaters, hikers, bikers and nature lovers. Indiana County, the Christmas tree capital of the world, boasts acres of scenic woodlands.

The narrow winding valleys below the highlands are filled with small mining and manufacturing towns, many dating back to the Industrial Revolution. Coal, iron and steel were mined and manufactured here. These essential products were then shipped across the country on a remarkable network of rail lines, including the Horseshoe Curve, which allowed trains to cross the Allegheny Mountains after 1854. Cities like Johnstown, with its Flood Museum and Inclined Plane, exemplify this proud manufacturing tradition, now being documented in America's Industrial Heritage Project.

Industrial innovation is also an important part of Frank Lloyd Wright's Fallingwater. This remarkable house integrates cantilevered construction with a rushing mountain waterfall, making it one of the most architecturally significant buildings in America.

You'll find history of another kind in battlefields and forts like Bushy Run and Fort Necessity, reminders of the French and Indian War and territorial conquests that pushed America's frontier westward.

- Indiana County is the Christmas tree capital of the world.
- World-renowned Cannondale racing bicycles are manufactured in Bedford County.
- The *Slinky* was invented in Blair County.
- McDonald's famous *Big Mac* originated in Fayette County.
- The world's steepest incline is in Cambria County.
- Fulton County is home to Burnt Cabins Grist Mill, an operating water-powered flour mill over 200 years old.
- The first banana split was served in 1904 in Latrobe, Westmoreland County.
- The highest elevation in Pennsylvania is in Somerset County.

ENTERPRISE FUNDS DESCRIPTIONS

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Pennsylvania Turnpike Commission (PTC) — to account for the construction, operation and maintenance of the Pennsylvania Turnpike System. The PTC was created as an instrumentality of the Commonwealth with powers to issue revenue bonds payable from tolls and other revenues collected.

Pennsylvania Industrial Development Authority — to account for loans to local industrial development agencies to stimulate economic activity in areas of high unemployment. Earnings of the Authority and repayments of loans receivable are reinvested in additional loans.

State Workmen's Insurance Fund — to account for and provide workmen's compensation insurance to private employers in the Commonwealth, including those unable to obtain coverage from private insurance firms.

State Stores Fund — to account for the general operation of the Pennsylvania Liquor Control Board. Expenses include all costs associated with the operation and administration of the Liquor Store System and enforcement of the Liquor Control Law.

Pennsylvania Higher Education Assistance Agency — to account for a variety of programs, such as scholarships and student loans, designed to provide financial assistance to students and institutions of higher education. Earnings of the Agency and repayments of loans receivable are retained for additional loans and programmatic purposes.

Pennsylvania Housing Finance Agency — to account for financing the construction and rehabilitation of housing units for sale or rent to low and moderate income persons and families or the elderly, and to make or purchase loans to finance the purchase, construction, improvement or rehabilitation of owner-occupied single-family residences. Earnings of the Agency and repayments of notes and loans receivable are reinvested for financing of additional projects.

Pennsylvania Infrastructure Investment Authority (PENNVEST) — to account for loans and other financing activities for the construction, improvement, repair or rehabilitation of drinking water supply and sewage disposal systems throughout the Commonwealth. PENNVEST was created as an instrumentality of the Commonwealth, funded by contributed capital from other funds and general obligation bonds authorized by referendum. Earnings of the authority and repayments of loans are reinvested for additional financing activities.

Other — to account for enterprise operations including activities associated with low interest loans to manufacturers, minority business loans, vocational rehabilitation services, and loans to volunteer fire, ambulance and rescue companies, and loans and grants issued to attract industrial, manufacturing or research and development enterprises to the Commonwealth of Pennsylvania.

COMBINING BALANCE SHEET
ENTERPRISE FUNDS

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1990)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1989)	State Stores (June 26, 1990)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
ASSETS									
Cash	$ 2,098	$ 692	$ 2,525	$ 3,750	$ 11,901	$	$ 604	$ 308	$ 21,878
Temporary investments	1,148,655	149,477	208,682	28,681	257,445	639,297	74,644	130,817	2,637,698
Long-term investments	5,507	....	800,758	....	121,216	183,853	....	177	1,111,511
Receivables, net:									
Accounts	4,240	....	26,931	538	9,320	....	....	104	41,133
Accrued interest	7,914	2,970	18,367	383	41,510	1,075	493	1,377	74,089
Loans	....	414,065	....	....	969,700	1,508,918	147,972	116,023	3,156,678
Due from other funds	....	....	147	....	2	....	9,367	713	10,229
Due from other governments	....	....	....	....	37,178	....	....	9	37,187
Inventory	5,847	....	....	109,846	....	....	....	266	115,959
Fixed assets	1,477,457	....	6,440	35,720	38,583	3,128	98	21,657	1,583,083
Less: accumulated depreciation	(701,895)	....	(3,782)	(15,962)	(11,875)	(1,566)	(17)	(19,715)	(754,812)
Other assets	15,089	1,785	2,083	79	13,808	13,230	....	....	46,074
TOTAL ASSETS	$ 1,964,912	$ 568,989	$ 1,062,151	$ 163,035	$ 1,488,788	$ 2,347,935	$ 233,161	$ 251,736	$ 8,080,707
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts payable and accrued liabilities	$ 75,526	$ 124	$ 5,136	$ 72,386	$ 35,472	$ 69,878	$ 5,087	$ 2,445	$ 266,054
Due to other funds	2,908	83	246	15,969	838	18	58	359	20,479
Due to other governments	182	....	17	233	17,609	....	2	1	18,044
Deferred revenue	....	25	27,982	....	27,824	1,405	6	1,083	58,325
Notes payable	....	....	....	....	349,421	18,000	....	....	367,421
Demand revenue bonds payable	....	....	....	....	435,000	....	....	....	435,000
Advances from other funds	....	....	2,000	66,000	....	....	....	....	68,000
Other liabilities	2,140	4,603	15,957	414	5,543	114,283	....	....	142,940
Insurance loss liability	....	....	686,547	....	....	....	....	....	686,547
Revenue bonds payable	1,026,383	90,650	....	....	413,000	1,856,423	....	....	3,386,456
TOTAL LIABILITIES	1,107,139	95,485	737,885	155,002	1,284,707	2,060,007	5,153	3,888	5,449,266
Fund Equity:									
Contributed capital	46,725	358,740	....	2,294	....	1,960	228,332	218,608	856,659
Retained earnings:									
Reserved	811,048	....	69,100	....	158,652	24,555	....	2,355	1,065,710
Unreserved (deficit)	....	114,764	255,166	5,732	45,429	261,413	(324)	26,885	709,072
TOTAL FUND EQUITY	857,773	473,504	324,266	8,033	204,081	287,928	228,008	247,848	2,631,441
TOTAL LIABILITIES AND FUND EQUITY	$ 1,964,912	$ 568,989	$ 1,062,151	$ 163,035	$ 1,488,788	$ 2,347,935	$ 233,161	$ 251,736	$ 8,080,707

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1990)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1989)	State Stores (June 26, 1990)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
OPERATING REVENUES:									
Sales and services	$ 217,099	$	$ 146,751	$ 625,338	$ 76,071	$ 4,993	$	$ 16,703	$ 1,086,955
Investment income	....	13,715	102,990	....	27,575	65,368	8,343	10,541	228,532
Interest on notes and loans	....	15,661	....	....	87,526	128,740	1,643	3,665	237,235
Other	5,835	1,046	....	....	....	....	1,706	1,205	9,792
TOTAL OPERATING REVENUES	222,934	30,422	249,741	625,338	191,172	199,101	11,692	32,114	1,562,514
OPERATING EXPENSES:									
Cost of sales and services	113,546	1,997	155,780	590,692	268,628	9,133	7,999	14,416	1,162,191
Interest expense	....	9,890	485	....	78,102	158,463	489	739	248,168
Depreciation	55,619	....	709	3,176	4,027	241	16	5,900	69,688
Bad debts	....	1,176	9,091	590	....	7,535	....	2,438	20.830
Other	....	24,000	....	....	....	....	1,712	1	25,713
TOTAL OPERATING EXPENSES	169,165	37,063	166,065	594,458	350,757	175,372	10,216	23,494	1,526,590
OPERATING INCOME (LOSS)	53,769	(6,641)	83,676	30,880	(159,585)	23,729	1,476	8,620	35,924
NONOPERATING REVENUES (EXPENSES):									
Investment income	29,439	....	....	3,329	....	....	....	1,133	33,901
Interest expense	(9,738)	....	....	(301)	....	....	....	(75)	(10,114)
Other	....	....	(1,169)	3,051	....	6,460	....	190	8,532
NONOPERATING REVENUES (EXPENSES)	19,701	....	(1,169)	6,079	....	6,460	....	1,248	32,319
INCOME (LOSS) BEFORE OPERATING TRANSFERS	73,470	(6,641)	82,507	36,959	(159,585)	30,189	1,476	9,868	68,243
OPERATING TRANSFERS:									
Operating transfers in	....	....	....	....	170,156	10,000	....	....	180,156
Operating transfers out	....	....	(110,000)	(41,250)	....	....	....	....	(151,250)
TOTAL OPERATING TRANSFERS	....	....	(110,000)	(41,250)	170,156	10,000	....	....	28,906
NET INCOME (LOSS)	73,470	(6,641)	(27,493)	(4,291)	10,571	40,189	1,476	9,868	97,149
RETAINED EARNINGS (DEFICIT), JULY 1, 1989	737,578	121,405	376,759	10,030	193,510	245,779	(1,800)	19,372	1,702,633
RESIDUAL EQUITY TRANSFER	....	....	(25,000)	....	....	....	....	....	(25,000)
RETAINED EARNINGS (DEFICIT), JUNE 30, 1990	$ 811,048	$ 114,764	$ 324,266	$ 5,739	$ 204,081	$ 285,968	$ (324)	$ 29,240	$ 1,774,782

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS

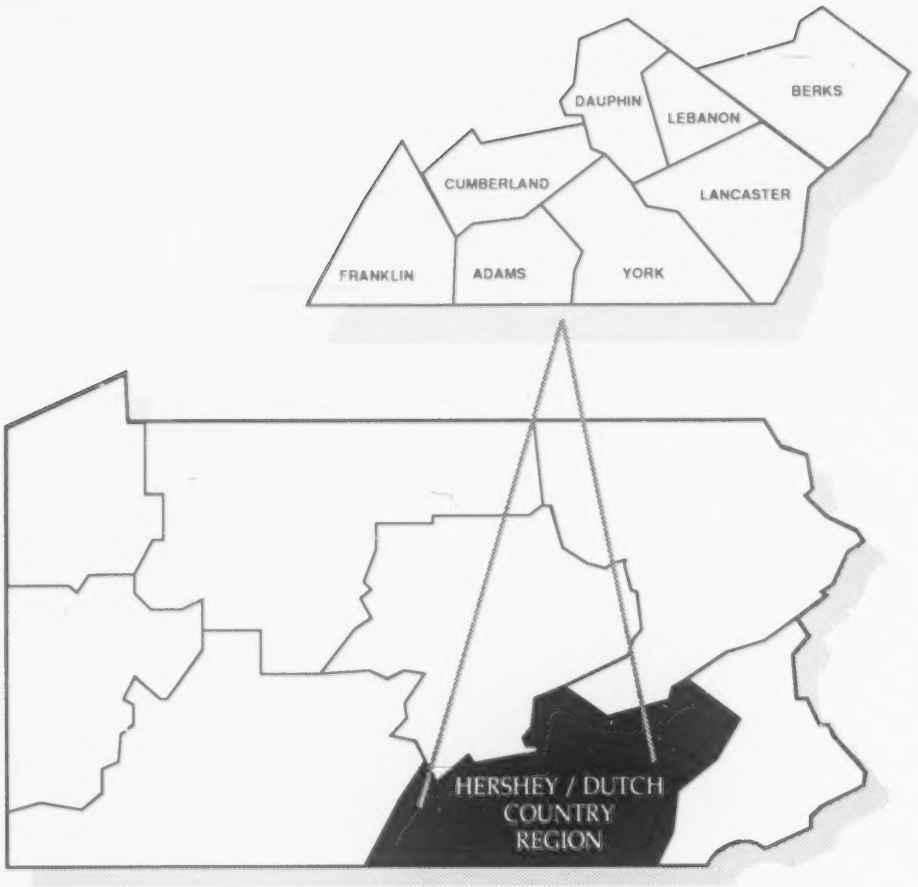
For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1990)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1989)	State Stores (June 26, 1990)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Pennsylvania Infrastructure Investment Authority	Other	Total
CASH PROVIDED FROM (USED FOR) OPERATIONS:									
Net income (loss)	$ 73,470	$ (6,641)	$ (27,493)	$ (4,291)	$ 10,571	$ 40,189	$ 1,476	$ 9,868	$ 97,149
Items not using (providing) cash:									
Depreciation	55,619	....	709	3,176	4,027	241	16	5,900	69,688
Net amortization	712	459	1,174	....	....	2,627	....	....	4,972
Net gain on sale of long-term investments	....	....	(7,039)	....	....	....	....	....	(7,039)
	129,801	(6,182)	(32,649)	(1,115)	14,598	43,057	1,492	15,768	164,770
Decrease (increase) in receivables	(4,129)	(7,525)	(3,548)	215	(106,142)	(143,665)	(119,103)	(21,472)	(405,369)
Increase in due from other funds	....	....	(48)	....	(2)	....	(6,000)	(227)	(6,277)
Decrease (increase) in due from other governments	....	....	....	....	(26,475)	....	....	8	(26,467)
Decrease (increase) in inventory	(350)	....	....	(19,545)	....	....	....	114	(19,781)
Increase (decrease) in accounts payable and accrued liabilities	20,980	(13)	2,316	6,412	6,824	7,208	(421)	152	43,458
Increase (decrease) in due to other funds	1,131	18	(26)	364	33	(7)	12	46	1,571
Increase (decrease) in due to other governments	30	....	13	22	8,917	....	(10)	(14)	8,958
Increase (decrease) in deferred revenue	....	(2)	18,798	....	9,223	160	6	80	28,265
Increase in insurance loss liability	....	....	23,020	....	....	....	....	....	23,020
TOTAL CASH PROVIDED FROM (USED FOR) OPERATIONS	147,463	(13,704)	7,876	(13,647)	(93,024)	(93,247)	(124,024)	(5,545)	(187,852)
CASH PROVIDED FROM (USED FOR) INVESTMENT ACTIVITIES:									
Decrease (increase) in other current assets	(1,051)	(845)	1,385	78	(951)	(818)	....	....	(2,202)
Proceeds from sale of long-term investments	195,704	....	255,702	....	....	19,797	....	13	471,216
Purchase of long-term investments	....	....	(186,481)	....	(111,220)	....	....	....	(297,701)
Increase (decrease) in other current liabilities	(827)	(351)	8,522	(451)	(5,834)	27,677	....	(15)	28,721
Reductions (additions) to fixed assets	(129,990)	....	(779)	(8,427)	(3,693)	(784)	(81)	2,672	(141,082)
NET CASH PROVIDED FROM (USED FOR) INVESTMENT ACTIVITIES	63,836	(1,196)	78,349	(8,800)	(121,698)	45,872	(81)	2,670	58,952
CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES:									
Issuance of revenue bonds	120,000	....	....	....	100,000	354,176	....	....	574,176
Increase in contributed capital	....	6,250	....	....	....	....	101,288	5,193	112,731
Increase (decrease) in notes payable	....	....	....	....	(25,076)	2,979	....	....	(22,097)
Redemption of long-term obligations	(123,940)	(8,900)	....	....	....	(310,928)	....	....	(443,768)
Residual equity transfer out	....	....	(25,000)	....	....	....	....	....	(25,000)
NET CASH PROVIDED FROM FINANCING ACTIVITIES	(3,940)	(2,650)	(25,000)	....	74,924	46,227	101,288	5,193	196,042
INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	207,359	(17,550)	61,225	(22,447)	(139,798)	(1,148)	(22,817)	2,318	67,142
CASH AND TEMPORARY INVESTMENTS, JULY 1, 1989	943,394	167,719	149,982	54,878	409,144	640,445	98,065	128,807	2,592,434
CASH AND TEMPORARY INVESTMENTS, JUNE 30, 1990	$ 1,150,753	$ 150,169	$ 211,207	$ 32,431	$ 269,346	$ 639,297	$ 75,248	$ 131,125	$ 2,659,576

Internal Service Funds



HERSHEY/DUTCH COUNTRY REGION

Some say the tranquil beauty in Hershey/Dutch Country Region mirrors the souls of the Amish and Mennonite farmers who settled here. This is farm country, an area of rich soil, golden fields and rolling hills that reflect a peaceful spirit. On many farms, horses still pull century-old machinery up and down neat rows of crops.

The homespun history of these Pennsylvania farmers stands in contrast with historical events that shaped an entire nation. This history is documented at Gettysburg, site of America's greatest battlefield, and Carlisle, where many other Civil War battles were fought. There's also history to be found in York, the country's first capital, and Harrisburg, Pennsylvania's state capital.

A visitor to Hershey/Dutch Country Region can also escape the past and find fun in the present. Visitors can spend a day scouring the famous Reading outlets for bargains or satisfying their "sweet tooth" by exploring Hershey, a world-class amusement park and resort known as *"Chocolatetown U.S.A."*

- America's most historic battlefield, Gettysburg National Military Park, is in Adams County.
- Lebanon bologna takes its name from Lebanon County, where bologna is still manufactured using the techniques of the first German settlers.
- Dauphin County is the home of world-famous Hershey chocolate.
- Harley-Davidson motorcycles roar off the assembly line in York County.
- Lancaster County is the home of America's first Amish settlement.
- The first sound movie *(Al Jolson Story)* premiered in Reading, Berks County.

INTERNAL SERVICE FUNDS
DESCRIPTIONS

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Commonwealth, or to other governmental units, on a cost-reimbursement basis.

Purchasing Fund — to account for the purchase of materials, supplies, motor vehicles and other equipment by the Department of General Services for the sale or lease to other Commonwealth departments, boards and commissions.

Manufacturing Fund — to account for the manufacture and sale of goods by inmates in the institutions of the Department of Corrections.

COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	Purchasing	Manufacturing	Total
ASSETS			
Cash	$ 166	$ 293	$ 459
Temporary investments	9,733	4,551	14,284
Receivables, net:			
Accounts	23	. . . .	23
Accrued interest	66	30	96
Other	. . . .	76	76
Due from other funds	9,023	1,703	10,726
Due from other governments	843	17	860
Inventory	2,497	9,507	12,004
Fixed assets	30,047	11,817	41,864
Less: accumulated depreciation	(15,945)	(7,351)	(23,296)
Other assets	. . . .	44	44
TOTAL ASSETS	$ 36,453	$ 20,687	$ 57,140
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	$ 6,304	$ 2,823	$ 9,127
Due to other funds	7,831	181	8,012
Due to other governments	16	15	31
Deferred revenue	126	. . . .	126
Other liabilities	. . . .	100	100
TOTAL LIABILITIES	14,277	3,119	17,396
Fund Equity:			
Contributed capital	9,187	. . . .	9,187
Retained earnings:			
Unreserved	12,989	17,568	30,557
TOTAL FUND EQUITY	22,176	17,568	39,744
TOTAL LIABILITIES AND FUND EQUITY	$ 36,453	$ 20,687	$ 57,140

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	Purchasing	Manufacturing	Total
OPERATING REVENUES:			
Sales and services	$ 23,676	$ 18,404	$ 42,080
Other	. . . .	32	32
TOTAL OPERATING REVENUES	23,676	18,436	42,112
OPERATING EXPENSES:			
Cost of sales and services	19,455	16,806	36,261
Depreciation	4,956	554	5,510
TOTAL OPERATING EXPENSES	24,411	17,360	41,771
OPERATING INCOME	(735)	1,076	341
NONOPERATING REVENUES (EXPENSES):			
Investment income	1,266	359	1,625
Interest expense	(232)	(25)	(257)
Other	. . . .	(256)	(256)
TOTAL NONOPERATING REVENUES, NET	1,034	78	1,112
NET INCOME	299	1,154	1,453
RETAINED EARNINGS, JULY 1, 1989	12,690	16,414	29,104
RETAINED EARNINGS, JUNE 30, 1990	$ 12,989	$ 17,568	$ 30,557

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Purchasing	Manufacturing	Total
CASH PROVIDED FROM (USED FOR) OPERATIONS:			
Net income	$ 299	$ 1,154	$ 1,453
Items not using cash:			
Depreciation	4,956	554	5,510
	5,255	1,708	6,963
Increase in receivables	(8)	(34)	(42)
Decrease (increase) in due from other funds	(571)	541	(30)
Decrease (increase) in due from other governments	(70)	27	(43)
Decrease (increase) in inventory	(311)	167	(144)
Increase in accounts payable and accrued liabilities	2,468	766	3,234
Increase (decrease) in due to other funds	(112)	12	(100)
Increase in due to other governments	6	2	8
Decrease in deferred revenue	(1,176)	(1)	(1,177)
TOTAL CASH PROVIDED FROM OPERATIONS	5,481	3,188	8,669
CASH USED FOR INVESTMENT ACTIVITIES:			
Increase in other current assets	. . . .	(8)	(8)
Decrease in other current liabilities	. . . .	(32)	(32)
Additions to fixed assets	(1,584)	(778)	(2,362)
NET CASH USED FOR INVESTMENT ACTIVITIES	(1,584)	(818)	(2,402)
INCREASE IN CASH AND TEMPORARY INVESTMENTS	3,897	2,370	6,267
CASH AND TEMPORARY INVESTMENTS, JULY 1, 1989	6,002	2,474	8,476
CASH AND TEMPORARY INVESTMENTS, JUNE 30, 1990	$ 9,899	$ 4,844	$ 14,743

Trust and Agency Funds

POCONO MOUNTAINS REGION

The Pocono Mountains Region of the Commonwealth is a year-round playground. The soaring peaks of both the Endless and Pocono Mountains provide incredible scenic vistas and plateaus and interesting challenges for hikers.

The Appalachian Trail, America's first scenic trail, enters Pennsylvania here, at the Delaware Water Gap. The Loyalsock Trail is a demanding wilderness passage that follows mountain peaks with average elevations of 1,700 to 1,900 feet.

Far below these heights, centuries of melting snow and running water have created countless freshwater pools that are perfect for swimmers, boaters, and anglers. If you're a shad fisherman, you'll want to be up at dawn one spring morning, waiting along the Delaware River as the American shad begin their spawning upriver from the Delaware Bay.

The leisurely pursuits in the mountains run counter to the hard-working past that's evident west of the Poconos. The towns of Scranton and Wilkes-Barre are alive with reminders of our industrial age. Anthracite coal was first mined here, and the Lackawanna Coal Mine tour gives travelers a look at this fascinating process. All over this area, railroads sprang up to carry that precious commodity west. Today, railroad history is showcased at Scranton's Steamtown National Historic Site.

The memories of America in another time are also rekindled in charming Victorian-era towns like Jim Thorpe that dot the Pocono Mountains Region.

- The oldest brewery in the country makes Yuengling beer in Schuylkill County.
- The first steam locomotive in the United States, the Stourbridge Lion, ran in Wayne County in 1829.
- You'll find the largest concrete railroad bridge in the world in Wyoming County.
- Steamtown, the newest national park site, is located in Lackawanna County.
- Anthracite coal was first used as heating fuel in Luzerne County.

TRUST AND AGENCY FUNDS DESCRIPTIONS

Trust and Agency Funds account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust Funds, Pension Trust Funds and Agency Funds.

EXPENDABLE TRUST FUNDS

Unemployment Compensation Fund — to account for the receipt of employer and employe contributions under the unemployment compensation law, for the payment of unemployment compensation benefits to eligible individuals, to transfer and receive monies from the Federal Unemployment Trust Fund and to pay the interest due on the Federal Unemployment Compensation Title XII Advances.

Workmen's Compensation Security Trust Fund — to account for the payment of claims for compensation provided by the Workmen's Compensation Law to individuals who are insured by an insolvent stock insurance company and for the administrative costs to administer the program.

Catastrophic Loss Benefits Continuation Fund — to account for the payment of medical and rehabilitative expenditures in excess of $100,000 to residents of Pennsylvania injured in a motor vehicle accident covered by the original Catastrophic Loss Trust Fund which is no longer in existence.

Other — to account for financial assistance to public schools or State Universities for repairs or alterations to buildings needed to satisfy the standards of the Department of Labor and Industry and for reimbursement to aggrieved individuals upon judgments against any person licensed by the Real Estate Commission.

PENSION TRUST FUNDS

State Employes' Retirement System — to account for the payment of retirement, disability and death benefits to members of the State Employes' Retirement System and their beneficiaries.

Public School Employes' Retirement System — to account for the payment of retirement, disability and death benefits to members of the Public School Employes' Retirement System and their beneficiaries.

TRUST AND AGENCY FUNDS—DESCRIPTIONS

AGENCY FUNDS

Social Security Contribution Fund — to hold the employers' and employes' social security deductions of Commonwealth and local government or other instrumentality employes and to remit such collections to the Federal Government.

Statutory Liquidator Fund — to convert the assets of insolvent insurance companies into cash for distribution to creditors, policyholders and stockholders.

Deferred Compensation Fund — to collect and administer funds contributed by Commonwealth employes who are deferring a portion of their income until future years, in accordance with Internal Revenue Code Section 457.

Fire Insurance Tax Fund — to collect a two-percent tax paid on premiums received from foreign (out-of-state) fire insurance companies conducting business in the Commonwealth and to distribute monies to local governments based on the amount of foreign fire insurance sold in their municipality. The municipalities must pay these monies to the relief, pension or retirement fund of their recognized fire fighting organization.

Municipal Pension Aid Fund — to collect a portion of the revenues from the Foreign Casualty Insurance Premium Tax and the Foreign Fire Insurance Premium Tax for distribution to municipalities for their distribution to the various municipal, police and fire pension funds.

Medical Professional Liability Catastrophe Loss Fund — to collect annual surcharges levied on health care providers to make available professional liability insurance at a reasonable cost to health care providers.

Other — to collect and administer funds from various sources for distribution to other governments and for the personal needs of patients and inmates at State institutions.

COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Expendable Trust Funds	Pension Trust Funds	Agency Funds	Total
ASSETS				
Cash	$ 343	$ 60	$ 3,097	$ 3,500
Cash with fiscal agents	1,755,368	....	....	1,755,368
Temporary investments	26,928	1,856,109	406,451	2,289,488
Long-term investments	232,337	23,276,571	22,144	23,531,052
Receivables, net:				
Taxes	267,066	....	4,228	271,294
Accounts	5,641	....	5,018	10,659
Accrued interest	6,346	273,108	2,792	282,246
Pension contributions	....	238,267	....	238,267
Other	....	8,213	....	8,213
Due from other funds	1,265	233,318	510	235,093
Due from other governments	9,019	13,871	5,649	28,539
Fixed assets	....	7,826	....	7,826
Less: accumulated depreciation	....	(2,171)	....	(2,171)
Other assets	....	150,016	3,093	153,109
TOTAL ASSETS	$ 2,304,313	$26,055,188	$ 452,982	$28,812,483
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 129,109	$ 88,889	$ 24,601	$ 242,599
Investment purchases payable	....	295,350	....	295,350
Tax refunds payable	2,598	....	....	2,598
Due to other funds	51	595	720	1,366
Due to other governments	2,661	....	191,789	194,450
Deferred revenue	340	....	....	340
Other liabilities	....	....	235,872	235,872
TOTAL LIABILITIES	134,759	384,834	452,982	972,575
Fund Balance:				
Reserved for:				
Encumbrances	794	....	....	794
Pension benefits	....	25,670,354	....	25,670,354
Long-term investments	232,337	....	....	232,337
Unreserved:				
Designated for:				
Other	5,459	....	....	5,459
Undesignated	1,930,964	....	....	1,930,964
TOTAL FUND BALANCES	2,169,554	25,670,354	....	27,839,908
TOTAL LIABILITIES AND FUND BALANCES	$ 2,304,313	$26,055,188	$ 452,982	$28,812,483

COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
ASSETS					
Cash	$	$ 325	$ 14	$ 4	$ 343
Cash with fiscal agents	1,755,368	....	....	....	1,755,368
Temporary investments	2,111	17,275	5,493	2,049	26,928
Long-term investments	....	231,762	....	575	232,337
Receivables, net:					
Taxes	267,066	....	....	....	267,066
Accounts	....	....	5,641	....	5,641
Accrued interest	22	6,290	20	14	6,346
Due from other funds	1,264	....	....	1	1,265
Due from other governments	9,019	....	....	....	9,019
TOTAL ASSETS	$ 2,034,850	$ 255,652	$ 11,168	$ 2,643	$ 2,304,313
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 77,196	$ 18,604	$ 33,300	$ 9	$ 129,109
Tax refunds payable	2,598	....	....	....	2,598
Due to other funds	....	36	15	....	51
Due to other governments	2,660	....	1	....	2,661
Deferred revenue	340	....	....	....	340
TOTAL LIABILITIES	82,794	18,640	33,316	9	134,759
Fund Balance:					
Reserved for:					
Encumbrances	....	....	689	105	794
Long-term investments	....	231,762	....	575	232,337
Unreserved:					
Designated for:					
Other	....	5,250	....	209	5,459
Undesignated (deficit)	1,952,056	....	(22,837)	1,745	1,930,964
TOTAL FUND BALANCES (DEFICIT)	1,952,056	237,012	(22,148)	2,634	2,169,554
TOTAL LIABILITIES AND FUND BALANCES	$ 2,034,850	$ 255,652	$ 11,168	$ 2,643	$ 2,304,313

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Benefits Continuation	Other	Total
REVENUES:					
Taxes	$ 6,545	$	$	$	$ 6,545
Unemployment taxes	1,224,605	....	....	....	1,224,605
Licenses and fees	....	21,301	29,434	77	50,812
Investment income	141,506	20,835	1,578	231	164,150
Other	848	9	21	28	906
TOTAL REVENUES	1,373,504	42,145	31,033	336	1,447,018
EXPENDITURES:					
Current:					
General government	....	3,273	4,129	51	7,453
Protection of persons and property	....	25,799	24,249	145	50,193
Public health and welfare	1,186,310	....	....	....	1,186,310
Public education	....	....	....	119	119
Debt service:					
Interest and fiscal charges	27	....	95	14	136
TOTAL EXPENDITURES	1,186,337	29,072	28,473	329	1,244,211
REVENUES OVER EXPENDITURES	187,167	13,073	2,560	7	202,807
OTHER FINANCING SOURCES (USES):					
Operating transfers in	....	....	....	13	13
Operating transfers out	(11,700)	....	....	....	(11,700)
NET OTHER FINANCING SOURCES (USES)	(11,700)	....	....	13	(11,687)
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	175,467	13,073	2,560	20	191,120
FUND BALANCES (DEFICIT), JULY 1, 1989	1,776,589	223,939	(24,708)	2,614	1,978,434
FUND BALANCES (DEFICIT), JUNE 30, 1990	$ 1,952,056	$ 237,012	$ (22,148)	$ 2,634	$ 2,169,554

COMBINING BALANCE SHEET
PENSION TRUST FUNDS

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	State Employes' Retirement System (December 31, 1989)	Public School Employes' Retirement System	Total
ASSETS			
Cash	$ 1	$ 59	$ 60
Temporary investments	651,316	1,204,793	1,856,109
Long-term investments	8,955,330	14,321,241	23,276,571
Receivables, net:			
Accrued interest	72,572	200,536	273,108
Pension contributions	. . . .	238,267	238,267
Other	8,213	. . . .	8,213
Due from other funds	97,751	135,567	233,318
Due from other governments	13,871	. . . .	13,871
Fixed assets	74	7,752	7,826
Less: accumulated depreciation	(61)	(2,110)	(2,171)
Other assets	. . . .	150,016	150,016
TOTAL ASSETS	$ 9,799,067	$16,256,121	$26,055,188
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 14,396	$ 74,493	$ 88,889
Investment purchases payable	. . . .	295,350	295,350
Due to other funds	84	511	595
TOTAL LIABILITIES	14,480	370,354	384,834
Fund Balance:			
Reserved for:			
Pension benefits	9,784,587	15,885,767	25,670,354
TOTAL FUND BALANCES	9,784,587	15,885,767	25,670,354
TOTAL LIABILITIES AND FUND BALANCES	$ 9,799,067	$16,256,121	$26,055,188

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	State Employes' Retirement System (December 31, 1989)	Public School Employes' Retirement System	Total
OPERATING REVENUES:			
Investment income	$ 1,464,707	$ 1,440,093	$ 2,904,800
Pension contributions	569,098	1,397,881	1,966,979
TOTAL OPERATING REVENUES	2,033,805	2,837,974	4,871,779
OPERATING EXPENSES:			
Cost of sales and services	6,028	12,542	18,570
Interest expense	- - - -	8,706	8,706
Depreciation	15	1,056	1,071
Benefit payments and refunds	565,966	926,591	1,492,557
TOTAL OPERATING EXPENSES	572,009	948,895	1,520,904
OPERATING INCOME	1,461,796	1,889,079	3,350,875
OPERATING TRANSFERS:			
Operating transfers in	12,068	211	12,279
Operating transfers out	(1,135)	(2,777)	(3,912)
TOTAL OPERATING TRANSFERS	10,933	(2,566)	8,367
NET INCOME	1,472,729	1,886,513	3,359,242
FUND BALANCES, JULY 1, 1989	8,311,858	13,999,254	22,311,112
FUND BALANCES, JUNE 30, 1990	$ 9,784,587	$15,885,767	$25,670,354

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1989	Additions	Deductions	Balance June 30, 1990
SOCIAL SECURITY CONTRIBUTION FUND				
ASSETS				
Cash	$ 5	$ 11,697	$ 11,702	$ ....
Temporary investments	15,157	7,229	7,430	14,956
Receivables, net:				
Accrued interest	132	107	132	107
Due from other governments	6,007	5,649	6,007	5,649
TOTAL ASSETS	$ 21,301	$ 24,682	$ 25,271	$ 20,712
LIABILITIES				
Due to other governments	$ 21,301	$ 4,469	$ 5,058	$ 20,712
TOTAL LIABILITIES	$ 21,301	$ 4,469	$ 5,058	$ 20,712
STATUTORY LIQUIDATOR FUND				
ASSETS				
Cash	$	$ 2,559	$ 2,559	$ ....
Temporary investments	64,320	373,242	348,454	89,108
Long-term investments	13,990	1,527	12,204	3,313
Receivables, net:				
Accounts	1,535	2,787	1,159	3,163
Accrued interest	348	662	348	662
Other assets	476	896	442	930
TOTAL ASSETS	$ 80,669	$ 381,673	$ 365,166	$ 97,176
LIABILITIES				
Other liabilities	$ 80,669	$ 17,822	$ 1,315	$ 97,176
TOTAL LIABILITIES	$ 80,669	$ 17,822	$ 1,315	$ 97,176
DEFERRED COMPENSATION FUND (December 31)				
ASSETS				
Cash	$	$ 27,525	$ 27,525	$ ....
Temporary investments	460	3,344	920	2,884
Long-term investments	2,329	15,955	....	18,284
Receivables, net:				
Accrued interest	3	18	3	18
Other assets	....	89	....	89
TOTAL ASSETS	$ 2,792	$ 46,931	$ 28,448	$ 21,275
LIABILITIES				
Accounts payable and accrued liabilities	2,701	$ 21,114	2,701	$ 21,114
Due to other funds	91	161	91	161
TOTAL LIABILITIES	$ 2,792	$ 21,275	$ 2,792	$ 21,275

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS — (continued)

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1989	Additions	Deductions	Balance June 30, 1990
FIRE INSURANCE TAX FUND				
ASSETS				
Cash	$ 1	$ 48,301	$ 48,301	$ 1
Temporary investments	46,666	48,300	46,643	48,323
Receivables, net:				
Accrued interest	376	333	376	333
TOTAL ASSETS	$ 47,043	$ 96,934	$ 95,320	$ 48,657
LIABILITIES				
Due to other funds	$ 376	$ 333	$ 376	$ 333
Due to other governments	46,667	48,300	46,643	48,324
TOTAL LIABILITIES	$ 47,043	$ 48,633	$ 47,019	$ 48,657
MUNICIPAL PENSION AID FUND				
ASSETS				
Cash	$	$ 130,204	$ 130,203	$ 1
Temporary investments	109,464	128,956	126,608	111,812
Receivables, net:				
Accrued interest	888	5,031	5,150	769
Due from other funds	396	420	396	420
TOTAL ASSETS	$ 110,748	$ 264,611	$ 262,357	$ 113,002
LIABILITIES				
Due to other governments	$ 110,748	$ 132,457	$ 130,203	$ 113,002
TOTAL LIABILITIES	$ 110,748	$ 132,457	$ 130,203	$ 113,002
MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND				
ASSETS				
Cash	$ 671	$ 159,334	$ 160,003	$ 2
Temporary investments	143,542	126,388	151,714	118,216
Receivables, net:				
Accounts	184	114,431	113,632	983
Accrued interest	1,135	801	1,135	801
TOTAL ASSETS	$ 145,532	$ 400,954	$ 426,484	$ 120,002
LIABILITIES				
Accounts payable and accrued liabilities	$ 3,301	$ 7,105	$ 7,722	$ 2,684
Due to other funds	35	37	35	37
Due to other governments	4	2	4	2
Other liabilities	142,192	119,646	144,559	117,279
TOTAL LIABILITIES	$ 145,532	$ 126,790	$ 152,320	$ 120,002

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS — (continued)

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1989	Additions	Deductions	Balance June 30, 1990
OTHER FUNDS				
ASSETS				
Cash	$ 3,671	$ 60,091	$ 60,669	$ 3,093
Temporary investments	19,586	57,746	56,180	21,152
Long-term investments	498	2,876	2,827	547
Receivables, net:				
Taxes	3,754	4,228	3,754	4,228
Accounts	709	872	709	872
Accrued interest	108	102	108	102
Due from other funds	. . . .	90	. . . .	90
Other assets	1,996	2,130	2,052	2,074
TOTAL ASSETS	$ 30,322	$ 128,135	$ 126,299	$ 32,158
LIABILITIES				
Accounts payable and accrued liabilities	$ 2,030	$ 803	$ 2,030	$ 803
Due to other funds	108	189	108	189
Due to other governments	9,691	32,582	32,524	9,749
Other liabilities	18,493	36,882	33,958	21,417
TOTAL LIABILITIES	$ 30,322	$ 70,456	$ 68,620	$ 32,158
TOTAL — ALL FUNDS				
ASSETS				
Cash	$ 4,348	$ 439,711	$ 440,962	$ 3,097
Temporary investments	399,195	745,205	737,949	406,451
Long-term investments	16,817	20,358	15,031	22,144
Receivables, net:				
Taxes	3,754	4,228	3,754	4,228
Accounts	2,428	118,090	115,500	5,018
Accrued interest	2,990	7,054	7,252	2,792
Due from other funds	396	510	396	510
Due from other governments	6,007	5,649	6,007	5,649
Other assets	2,472	3,115	2,494	3,093
TOTAL ASSETS	$ 438,407	$1,343,920	$1,329,345	$ 452,982
LIABILITIES				
Accounts payable and accrued liabilities	$ 8,032	$ 29,022	$ 12,453	$ 24,601
Due to other funds	610	720	610	720
Due to other governments	188,411	217,810	214,432	191,789
Other liabilities	241,354	174,350	179,832	235,872
TOTAL LIABILITIES	$ 438,407	$ 421,902	$ 407,327	$ 452,982

General Fixed Assets Account Group

PHILADELPHIA COUNTRYSIDE REGION

The Philadelphia Countryside Region is an intriguing mix of past and present.

There were more Revolutionary War battles fought within a 50-mile radius of Philadelphia than in all of the New England states combined. So throughout the countryside you'll find battle markers and encampments, including General Lafayette's Brandywine command post and Washington's Valley Forge headquarters. Today, when you visit Valley Forge, you can see the small cabins where Washington and his troops spent that famous bitterly cold winter of 1778, waiting to launch the spring attack on the British.

Pennsylvania's largest city, Philadelphia, is the birthplace of the ideas that Washington's Army fought to preserve. America's most historic square mile includes the Liberty Bell Pavilion, Independence Hall, the Second National Bank and the Betsy Ross House.

But there's more to the Philadelphia Countryside Region than the past. There's a lively present, filled with artists' colonies in Bucks County, the Lehigh Valley's ethnic settlements and the quaint river towns along the Delaware River in Chester County.

- The first Continental Congress met at Carpenters Hall in Philadelphia County in 1774.
- Lehigh County is the only location the Liberty Bell rested besides Philadelphia.
- Washington's troops wintered at Valley Forge in Montgomery County.
- Pennsylvania's first school and church were established in Delaware County.
- Chester County is the mushroom capital of the world.
- Bucks County is the home of the W. Atlee Burpee Company, the largest mail-order seeds, bulbs and garden supply company in the world.
- Northampton County is the headquarters of Binney and Smith Incorporated, makers of Crayola Crayons.

GENERAL FIXED ASSETS ACCOUNT GROUP DESCRIPTION

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for general government purposes. These include all fixed assets except those accounted for in Proprietary and Pension Trust Funds and College and University Funds.

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY SOURCE

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)			
	Balance July 1, 1989	Additions	Retirements	Balance June 30, 1990
GENERAL FIXED ASSETS:				
Land	$ 205,711	$ 3,441	$ 126	$ 209,026
Buildings	2,009,350	56,441	15,698	2,050,093
Improvements other than buildings	146,731	5,352	66	152,017
Furniture, machinery and equipment	430,790	40,339	51,808	419,321
	2,792,582	105,573	67,698	2,830,457
Construction in progress	40,281	82,478	53,715	69,044
Total General Fixed Assets	$2,832,863	$ 188,051	$ 121,413	$2,899,501
INVESTMENT IN GENERAL FIXED ASSETS:				
Acquired on or before June 30, 1986	$2,157,542	$ 188	$ 52,197	$2,105,533
Acquired after June 30, 1986 from:				
General fund revenues	89,350	17,623	15,154	91,819
General obligation bonds	417,468	49,998	44	467,422
Federal grants	12,074	4,947	23	16,998
Special revenue funds	108,455	32,817	280	140,992
Donations	7,693	. . . .	. . . .	7,693
Total Sources	2,792,582	105,573	67,698	2,830,457
Construction in progress	40,281	82,478	53,715	69,044
Total Investment in General Fixed Assets	$2,832,863	$ 188,051	$ 121,413	$2,899,501

Funding sources for General Fixed Assets acquired on or before June 30, 1986 are not available.

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

Expressed in Thousands

FUNCTION	Land	Buildings	Improvements Other Than Buildings	Furniture, Machinery And Equipment	Total
General government	$ 5,626	$ 381,739	$ 23,095	$ 44,199	$ 454,659
Protection of persons and property	6,251	416,789	45,030	37,280	505,350
Public health and welfare	2,961	575,316	17,032	38,504	633,813
Public education	17,453	562,436	49,380	5,537	634,806
Conservation of natural resources	173,857	56,841	10,837	28,819	270,354
Economic development and assistance	. . . .	. . . .	. . . .	144	144
Transportation	2,878	56,972	6,643	264,838	331,331
TOTALS ALLOCATED TO FUNCTIONS	$ 209,026	$2,050,093	$ 152,017	$ 419,321	2,830,457
Construction in progress					69,044
TOTAL GENERAL FIXED ASSETS					$2,899,501

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

For the Fiscal Year Ended June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

Expressed in Thousands

	Balance July 1, 1989	Additions	Retirements	Transfers In	Transfers Out	Balance June 30, 1990
General government	$ 449,644	$ 6,720	$ 8,419	$ 10,119	$ 3,405	$ 454,659
Protection of persons and property	452,958	32,029	2,289	24,262	1,610	505,350
Public health and welfare	702,668	9,082	53,725	44	24,256	633,813
Public education	619,354	17,078	1,169	. . . .	457	634,806
Conservation of natural resources	256,646	14,385	838	228	67	270,354
Economic development and assistance	144	. . . .	. . . .	. . . .	. . . .	144
Transportation	311,168	26,279	1,258	. . . .	4,858	331,331
	2,792,582	105,573	67,698	34,653	34,653	2,830,457
Construction in progress	40,281	82,478	53,715	. . . .	. . . .	69,044
TOTALS	$2,832,863	$ 188,051	$ 121,413	$ 34,653	$ 34,653	$2,899,501

College and University Funds

VALLEYS OF THE SUSQUEHANNA REGION

Streams, creeks and rivers crisscross the Valleys of the Susquehanna Region, so named for the source of this area's beauty: the Susquehanna River. Called the "Currier and Ives" of rivers by many artists, it provides this area with more than breathtaking scenery.

Throughout this region, you'll find traditional river towns like Selinsgrove, Millersburg and Lewisburg, which showcase the unique commerce and history that depended on the water. You'll see old mills and grand Victorian houses. There's a network of covered bridges built to cross the Susquehanna and its many tributaries. Paddlewheelers like the *Hiawatha* still transport visitors in grand style.

Farther away from the Susquehanna's banks, you'll find fertile flatlands, farmed for more than a century by old order Amish and Mennonites.

- Union County is the home of Pennsylvania House fine furniture.
- *Cracker Jacks*, a favorite of snackers, was first made in 1894 in Clinton County.
- Northumberland County was the home of Joseph Priestley, the discoverer of oxygen.
- Little League Baseball was founded in Williamsport, Lycoming County.
- Joe Paterno's Nittany Lions play football at Penn State University in Centre County.
- The nation's only twin covered bridge is in Columbia County.
- The first practical typewriter was invented in Montour County by Christopher Sholes.
- Pennsylvania's only U.S. President, James Buchanan, was born in Juniata County.
- Pennsylvania's first paved state road was built in Snyder County.

COLLEGE AND UNIVERSITY FUNDS
DESCRIPTION

The College and University Funds, which comprise the State System of Higher Education, are used to account for the transactions relating to the Office of the Chancellor and the state-owned universities of the Commonwealth.

The state-owned universities of the Commonwealth are as follows:

Bloomsburg University
California University
Cheyney University
Clarion University
East Stroudsburg University
Edinboro University
Indiana University of Pennsylvania
Kutztown University
Lock Haven University
Mansfield University
Millersville University
Shippensburg University
Slippery Rock University
West Chester University

COMBINING BALANCE SHEET
College and University Funds

June 30, 1990

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds				Plant Funds					
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	Agency	Totals
ASSETS										
Cash	$ 5,180	$	$	$	$	$	$	$	$	$ 5,180
Temporary investments	160,353	....	....	....	35,916	....	....	....	....	196,269
Long-term investments	22	232	....	1,918	....	....	22,280	....	....	24,452
Receivables, net:										
Accounts	7,110	4,561	....	....	....	....	....	....	187	11,858
Accrued interest	....	....	....	35	....	....	....	....	....	35
Loans	....	....	20,341	....	....	....	....	....	....	20,341
Other	5,978	....	....	....	115	....	....	....	....	6,093
Due from other funds	66	6,487	1,692	3,270	22,617	31,034	4,364	....	1,961	71,491
Inventory	4,261	....	....	....	....	....	....	....	....	4,261
Fixed assets	....	....	....	....	....	....	....	380,098	....	380,098
Other assets	17,055	....	....	....	200	....	1,399	....	....	18,654
TOTAL ASSETS	$ 200,025	$ 11,280	$ 22,033	$ 5,223	$ 58,848	$ 31,034	$ 28,043	$ 380,098	$ 2,148	$ 738,732
LIABILITIES AND FUND EQUITY										
Liabilities:										
Accounts payable and accrued liabilities	$ 56,908	$ 1,641	$	$	$ 2,921	$ 1,629	$ 1,172	$ 117	$ 596	$ 64,984
Due to other funds	81,235	....	....	....	....	....	....	808	....	82,043
Deferred revenue	24,089	....	....	....	....	....	....	....	....	24,089
Notes payable	....	....	....	....	42	....	....	3,089	....	3,131
Other liabilities	2,272	....	1	....	....	....	....	6,437	1,552	10,262
Capital lease obligations	....	....	....	....	33,261	....	7,071	63,748	....	104,080
TOTAL LIABILITIES	164,504	1,641	1	....	36,224	1,629	8,243	74,199	2,148	288,589
Fund Equity:										
Investment in fixed assets	....	....	....	....	....	....	....	305,899	....	305,899
Fund Balance:										
Reserved for:										
Encumbrances	9,039	559	....	....	....	....	....	....	....	9,598
Loans receivable	....	....	22,032	....	....	....	....	....	....	22,032
Endowment and similar funds	6,590	....	....	5,223	....	....	....	....	....	11,813
Restricted fund balance	....	9,080	....	....	2,098	10,413	72	....	....	21,663
Other	19,892	....	....	....	....	....	....	....	....	19,892
Unreserved:										
Undesignated	....	....	....	....	20,526	18,992	19,728	....	....	59,246
TOTAL FUND EQUITY	35,521	9,639	22,032	5,223	22,624	29,405	19,800	305,899	....	450,143
TOTAL LIABILITIES AND FUND EQUITY	$ 200,025	$ 11,280	$ 22,033	$ 5,223	$ 58,848	$ 31,034	$ 28,043	$ 380,098	$ 2,148	$ 738,732

Statistical Section

PENNSYLVANIA FACTS

GENERAL

Pennsylvania was settled in 1643.
Philadelphia was the capital during the Revolution.
York was the first capital of the United States.

Pennsylvania means Penn's Woods and is named after our founder, William Penn.
Nickname: Keystone State.
Motto: "Virtue, Liberty and Independence."

GEOGRAPHY

Capital: Harrisburg
Counties: 67
Municipalities: 2,566
Land Area: 44,888 square miles: (28,778,200 acres); 57% forest, 30% agriculture, 10% urban, 3% water
Inland Waterways: 420 miles
Shoreline: 89 miles
Length: 180 miles (north to south)
Width: 310 miles (east to west)
Geographic Center: Centre County, 2½ miles southwest of Bellefonte
Highest Altitude: Mt. Davis—3,213 feet
Lowest Point: Delaware River
Lakes: 256 natural, 2,324 manmade
Mileage of Rivers and Streams: 45,000 miles

PENNSYLVANIA "FIRSTS"

First hospital
First library
First newspaper
First zoo
First nation's capital
First all-motion-picture theater
First television broadcast
First educational public television station
First paper mill
First high-speed multi-lane highway, the Pennsylvania Turnpike
First druggist
First locomotive for railroad use
First american stock exchange
First women's medical college
First to require motorists to drive on the right
First institution of art
First professional football game
First United States Mint

REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION ALL GOVERNMENTAL FUND TYPES[1]

TABLE 1

For the Last Ten Fiscal Years Ended June 30 [2]

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
REVENUES BY SOURCE										
Taxes	$ 7,084,529	$ 7,584,306	$ 7,854,895	$ 9,122,306	$ 9,551,576	$ 9,970,214	$10,652,020	$10,888,272	$11,758,767	$12,052,117
Licenses and fees	436,152	507,829	477,592	504,439	524,927	540,234	564,781	588,526	629,370	661,265
Intergovernmental	2,370,695	2,739,962	2,895,041	3,071,788	3,490,865	3,745,396	3,751,334	3,873,583	4,248,709	4,358,109
Charges for sales and services	535,380	486,248	597,431	343,062	480,759	530,519	486,243	536,175	528,691	503,643
Investment income	139,928	139,723	99,689	134,141	203,872	195,202	194,900	193,945	226,190	221,835
Lottery receipts, net of prizes through 1986[3]	188,509	240,727	394,697	540,017	593,115	557,481	1,341,631	1,472,311	1,575,312	1,529,835
Other[4]	299,741	124,218	135,678	129,727	122,191	231,346	185,341	153,580	281,251	389,318
TOTAL REVENUES	$11,054,934	$11,823,013	$12,455,023	$13,845,480	$14,967,305	$15,770,392	$17,176,250	$17,706,392	$19,248,290	$19,716,122
EXPENDITURES BY FUNCTION										
General government[3]	$ 858,193	$ 692,970	$ 798,991	$ 906,842	$ 829,609	$ 803,909	$ 1,516,385	$ 1,741,126	$ 1,873,466	$ 1,921,076
Protection of persons and property	680,383	499,306	627,369	693,043	778,897	911,957	948,562	1,021,668	1,092,335	1,217,333
Public health and welfare	4,248,058	4,954,202	5,228,634	5,295,688	5,686,873	6,231,705	6,360,862	6,704,892	7,175,239	7,745,019
Public education	3,357,128	3,456,007	3,632,541	3,720,818	4,063,157	4,122,935	4,395,740	4,761,170	5,166,302	5,597,935
Conservation of natural resources	143,215	164,196	179,201	179,604	257,112	299,010	305,599	334,833	368,906	373,719
Economic development and assistance	98,099	94,021	113,304	164,791	158,107	187,614	206,355	346,037	349,767	363,950
Transportation	1,263,048	1,427,393	1,501,886	1,474,704	1,843,703	2,053,335	2,114,625	2,171,964	2,304,822	2,392,365
Capital outlay	104,102	173,074	175,401	157,946	345,881	463,671	476,118	274,336	229,753	168,807
Debt Service:										
Principal retirement	123,745	317,397	490,096	386,310	759,471	1,186,619	659,548	482,277	440,152	608,360
Interest and fiscal charges	244,209	350,224	178,987	346,924	358,358	407,066	405,701	408,968	448,482	455,574
TOTAL EXPENDITURES	$11,120,180	$12,128,790	$12,926,410	$13,326,670	$15,081,168	$16,667,821	$17,389,495	$18,247,271	$19,449,224	$20,844,138

[1] Includes General, Special Revenue, Debt Service and Capital Projects Funds

[2](a) 1981 data is on non-GAAP budgetary basis

(b) 1982 - 1990 data is on GAAP basis

[3] Prior to 1987, revenue and expenditures for lottery receipts and general government, respectively, were reported net of retailer commissions and retailer-paid prizes.

[4] Prior to 1989, lease rental principal and interest payments, included as other revenue, were classified as an "Other Financing Source."

NET BONDED DEBT PER CAPITA

TABLE 2

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

For The Fiscal Year Ended June 30	(Expressed in Thousands) Net Bonded Debt	Population	Debt Per Capita
1980	$4,623,848	11,864	$390
1981	4,578,163	11,880	385
1982	4,450,236	11,885	375
1983	4,487,011	11,896	377
1984	4,483,573	11,892	377
1985	4,535,008	11,866	382
1986	4,529,393	11,897	381
1987	4,558,839	11,943	382
1988	4,698,645	11,998	392
1989	4,705,202	12,040	391

SOURCE: Population Information — U.S. Department of Commerce, Bureau of the Census

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES

TABLE 3

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

For The Fiscal Year Ended June 30	Debt Service Requirements Funded by General Fund (Expressed in Thousands)	Budgetary Basis General Fund Expenditures (1) (Expressed in Thousands)	%
1981	$ 275,056	$ 8,595,628	3.20
1982	303,713	9,361,800	3.24
1983	301,727	10,038,371	3.00
1984	341,413	10,436,777	3.27
1985	359,200	11,223,622	3.20
1986	350,195	11,781,951	2.97
1987	371,702	12,395,674	3.00
1988	393,907	13,180,073	2.99
1989	381,617	13,949,111	2.74
1990	450,752	15,137,774	2.98

(1) Excludes encumbrances included as "Total Expenditures" in the Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis).

COMPUTATION OF LEGAL DEBT MARGIN

TABLE 4

As of August 31, 1990

COMMONWEALTH OF PENNSYLVANIA

Average annual tax revenues deposited in the previous five fiscal years	$13,173,346,761
Constitutional factor	x1.75
Constitutional debt limit for debt incurred without the approval of the electors	23,053,356,832
Less outstanding net debt (non electorate approved)	3,940,371,467
Legal debt margin	$19,112,985,365

The formula for the legal debt limit is contained in Article VIII, Section 7(a) of the Pennsylvania Constitution, which provides:

No debt shall be incurred by or on behalf of the Commonwealth except by law and in accordance with the provisions of this section.

(1) Debt may be incurred without limit to suppress insurrection, rehabilitate areas affected by man-made or natural disaster, or to implement unissued authority approved by the electors prior to the adoption of this article.

(2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.

(3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.

(4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

The figures above are abstracted from a certification of the Auditor General dated August 31, 1990.

SCHEDULE OF REVENUE BOND COVERAGE

TABLE 5

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

Pennsylvania Turnpike Commission

(Expressed in Thousands)

For the Fiscal Year Ended May 31	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1981	$121,622	$ 60,898	$ 60,724	$ 5,978	$ 4,627	$10,605	5.73
1982	132,046	67,625	64,421	9,680	4,381	14,061	4.58
1983	131,083	72,985	58,098	7,349	4,120	11,469	5.07
1984	144,815	78,287	66,528	5,352	3,812	9,164	7.26
1985	154,542	82,230	72,312	6,451	3,604	10,055	7.19
1986	162,539	93,648	68,891	4,662	3,381	8,043	8.57
1987	180,692	101,692	79,000	2,299	46,500	48,799	1.62
1988	221,807	100,875	120,932	3,225	56,514	59,739	2.02
1989	245,192	105,619	139,573	4,070	58,789	62,859	2.22
1990	252,373	113,546	138,827	123,940	73,051	196,991	.70

Pennsylvania Industrial Development Authority

(Expressed in Thousands)

For the Fiscal Year Ended June 30	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1981	$15,872	$ 884	$14,988	$5,755	$ 5,119	$10,874	1.38
1982	16,064	1,009	15,055	5,800	4,756	10,556	1.43
1983	19,058	1,211	17,847	5,655	8,933	14,588	1.22
1984	21,775	1,662	20,113	5,630	9,537	15,167	1.33
1985	24,658	1,783	22,875	6,735	13,167	19,902	1.15
1986	23,320	1,897	21,423	7,910	13,359	21,269	1.01
1987	23,370	1,574	21,796	8,620	12,433	21,053	1.04
1988	25,479	1,765	23,714	8,525	11,257	19,782	1.20
1989	29,477	2,223	27,254	8,505	10,584	19,089	1.43
1990	30,422	1,997	28,425	8,900	9,873	18,773	1.51

Pennsylvania Housing Finance Agency

(Expressed in Thousands)

For the Fiscal Year Ended June 30	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest[a]	Total	
1981	$ 68,427	$15,223	$ 53,204	$ 1,951	$ 37,785	$ 39,736	1.34
1982	77,773	18,068	59,705	3,522	42,347	45,869	1.30
1983	109,023	18,793	90,230	3,440	77,010	80,450	1.12
1984	119,389	12,160	107,229	8,293	94,305	102,598	1.05
1985	146,205	10,686	135,519	8,180	119,420	127,600	1.06
1986	168,441	8,438	160,003	13,386	142,332	155,718	1.03
1987	159,034	8,088	150,946	14,987	136,625	151,612	1.00
1988	162,172	8,593	153,579	15,960	138,508	154,468	.99
1989	182,535	8,402	174,133	20,226	148,327	168,553	1.03
1990	199,101	9,133	189,968	21,568	157,104	178,672	1.06

[a] Excludes interest on notes payable.

ANNUAL ESTIMATES OF THE RESIDENT POPULATION — PENNSYLVANIA COMPARED TO THE UNITED STATES

TABLE 6

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

Calendar Year	(Expressed in Thousands) United States	Pennsylvania	%
1980	226,546	11,864	5.2
1981	229,637	11,880	5.2
1982	231,996	11,885	5.1
1983	234,284	11,896	5.1
1984	236,477	11,892	5.0
1985	238,736	11,866	5.0
1986	241,107	11,897	4.9
1987	243,427	11,943	4.9
1988	245,785	11,998	4.9
1989	248,239	12,040	4.9

SOURCE: U.S. Department of Commerce, Bureau of the Census

STATE BANKING INSTITUTIONS
DEMAND DEPOSITS AND TIME AND SAVINGS DEPOSITS

TABLE 7

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

Calendar Year	(Expressed in Thousands) Demand Deposits	Time and Savings Deposits
1980	$7,734,878	$32,192,294
1981	6,673,295	34,871,097
1982	6,489,537	38,144,921
1983	6,606,723	42,982,476
1984	5,263,282	39,356,857
1985	5,728,297	42,322,007
1986	6,632,325	45,351,526
1987	6,443,804	47,556,165
1988	6,558,607	50,347,975
1989	6,481,900	53,565,427

SOURCE: Pennsylvania Department of Banking

RESIDENT EMPLOYMENT, UNEMPLOYMENT AND UNEMPLOYMENT RATE — PENNSYLVANIA COMPARED TO THE UNITED STATES

TABLE 8

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands except percent)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
PENNSYLVANIA										
Civilian labor force	5,435	5,484	5,489	5,505	5,479	5,527	5,637	5,653	5,764	5,857
Employment	5,010	5,026	4,889	4,855	4,981	5,084	5,251	5,333	5,470	5,592
Unemployment	425	458	600	650	498	443	386	320	294	265
Rate %	7.8	8.4	10.9	11.8	9.1	8.0	6.8	5.7	5.1	4.5
UNITED STATES										
Civilian labor force	106,940	108,670	110,204	111,550	113,544	115,461	117,835	119,865	121,669	123,869
Employment	99,303	100,397	99,526	100,834	105,005	107,150	109,598	112,440	114,968	117,342
Unemployment	7,637	8,273	10,678	10,716	8,539	8,311	8,237	7,425	6,701	6,527
Rate %	7.1	7.6	9.7	9.6	7.5	7.2	7.0	6.2	5.5	5.3

SOURCE: Pennsylvania Department of Labor and Industry, Bureau of Employment Security

TOTAL PERSONAL INCOME AND PER CAPITA PERSONAL INCOME— PENNSYLVANIA COMPARED TO THE UNITED STATES

TABLE 9

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

Calendar Year	TOTAL PERSONAL INCOME (Millions of Dollars)			PER CAPITA PERSONAL INCOME (Dollars)		
	United States	Pennsylvania	%	United States	Pennsylvania	%
1980	2,254,076	117,445	5.2	9,919	9,893	99.7
1981	2,514,231	129,113	5.1	10,949	10,868	99.3
1982	2,663,432	135,945	5.1	11,480	11,438	99.6
1983	2,834,385	142,183	5.0	12,098	11,953	98.8
1984	3,101,163	151,386	4.9	13,114	12,730	97.1
1985	3,317,545	160,820	4.9	13,896	13,554	97.5
1986	3,519,364	169,697	4.8	14,597	14,264	97.7
1987	3,766,092	181,319	4.8	15,471	15,182	98.1
1988	4,053,282	194,659	4.8	16,491	16,224	98.4
1989	4,360,919	209,750	4.8	17,567	17,422	99.2

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

THIRTY LARGEST NONGOVERNMENTAL EMPLOYERS

TABLE 10

For the Calendar Year 1989

COMMONWEALTH OF PENNSYLVANIA

EMPLOYER	RANK
The Bell Telephone Co. of Pennsylvania	1
Sears Roebuck and Company	2
Westinghouse Electric Corporation	3
General Electric Company	4
Acme Markets, Inc.	5
K Mart Corporation	6
Trustees of the University of Pennsylvania	7
University of Pittsburgh	8
J. C. Penney Co., Inc.	9
The Prudential Insurance Co. of America	10
Bethlehem Steel Corporation	11
Philadelphia Electric Co.	12
Weis Markets Incorporated	13
Strawbridge & Clothier	14
USX Corporation	15
United Parcel Service, Inc.	16
Mellon Bank, N.A.	17
Temple University	18
UNISYS Corporation	19
AMP Incorporated	20
Pennsylvania Power & Light Co.	21
A T & T Technologies, Inc.	22
U.S. Air, Incorporated	23
Hershey Foods Corporation	24
PPG Industries, Inc.	25
Giant Eagle, Inc.	26
Hills Department Stores, Inc.	27
The Boeing Co.	28
Giant Food Stores, Inc.	29
Philadelphia National Bank	30

SOURCE: Pennsylvania Department of Labor and Industry, Office of Employment Security

LIST OF MAJOR CORPORATIONS THAT MAINTAIN THEIR CORPORATE HEADQUARTERS IN THE COMMONWEALTH

TABLE 11

COMMONWEALTH OF PENNSYLVANIA

AMP Incorporated
Air Products and Chemicals, Inc.
Alco Standard Corporation
Allegheny International, Inc.
Allegheny Ludlum Corporation
Aluminum Company of America
Aristech Chemical
Armstrong World Industries, Inc.
Bayer USA Inc.
Bell Atlantic Corporation
Bethlehem Steel Corporation
Carpenter Technology Corporation
CertainTeed Corporation
Cigna Corporation
ComCast Corporation
Consolidated Natural Gas Co.
Consolidated Rail Corporation
CoreStates Financial Corporation
Crown Cork and Seal Company, Inc.
Cyclops Industries, Inc.
Dauphin Deposit Corporation
DQE Corporation
Equimark Corporation
Exide Corporation
H.J. Heinz Company
Harsco Corporation
Hershey Foods Corporation
Independence Bancorp Inc.
Integra Financial Corporation
J & L Specialty Products Corporation
Lukens Inc.
Mack Trucks, Inc.
Mellon Bank Corp.
Meridian Bancorp, Inc.
Meritor Financial Group
National Intergroup, Inc.
National Steel Corporation
P.H. Glatfelter Company
PPG Industries, Inc.
PNC Financial Corporation
Pennsylvania Power & Light Co.
Penn Traffic Co.
Philadelphia Electric Co.
Quaker State Corporation
Rite Aid Corporation
Rohm and Haas Company
Rorer Group Inc.
Scott Paper Company
Sun Company, Inc.
USX Corporation
Union Pacific Corporation
UNISYS Corporation
VF Corporation
Weis Markets, Incorporated
Westinghouse Electric Corporation
Westmoreland Coal Co.
York International Corp.

SOURCE: The *Fortune 500* and the *Forbes 500* listings, published April 1990

MISCELLANEOUS STATISTICS

TABLE 12

JUNE 30, 1990

COMMONWEALTH OF PENNSYLVANIA

Date of Ratification of U.S. Constitution	December 12, 1787
Form of Government	Legislative-Executive-Judicial
Miles of State Highway	41,091
Land Area - in square miles	44,888
State Police Protection:	
Number of Stations	106
Number of State Police	4,022
Higher Education (Universities, Colleges and Community Colleges):	
Number of campuses in state	233
Number of educators	21,606
Number of students	580,665
Recreation:	
Number of State Parks	114
Area of State Parks	277,164 Acres
Area of State Forests	2,073,598 Acres

SOURCE:
Pennsylvania Department of Transportation, Bureau of Strategic Planning
Pennsylvania State Police, Bureau of Research and Development
Pennsylvania Department of Education, Division of Data Services
Pennsylvania Department of Environmental Resources, Bureau of Forestry